Credit

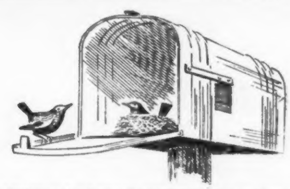
and FINANCIAL MANAGEMENT

JUNE
1949

53rd Annual Credit Congress

At the Sign of the Wren's Nest...

Famous American Homes



Home of

JOEL CHANDLER HARRIS

The house in Atlanta where the creator of Uncle Remus lived for twenty-seven years

Two wrens who set up housekeeping in the mailbox gave Joel Chandler Harris's home its name. Rather than disturb the little tenants who returned each year, he once took a distinguished visitor around to the rear entrance.

The man who won world-wide renown for his Uncle Remus stories always insisted that his success was entirely accidental. The "accident" that launched his newspaper career at the age of fourteen was securing a job as printer's devil on *The Countryman*. While setting type he managed to include articles he had written and soon became an acknowledged contributor.

After his marriage he was working on a newspaper in Savannah when a yellow fever epidemic caused the population to flee. At the Atlanta hotel where he took his family he registered as "J. C. Harris, one wife, two bow-legged children, and a bilious nurse." His humor was so cheering to the panic-stricken guests that the hotel refused to render a bill.

The Tar Baby story is perhaps the best loved

Harris and his family remained in Atlanta and in 1876 he went to work for the *Constitution* where another "accident" occurred. When a staff writer left, his column was assigned to Harris who introduced Uncle Remus, a character of his own invention. The result was a long succession of Uncle Remus fables and songs which were published in book form and to the modest author's amazement, received with wide enthusiasm.

Uncle Remus was a composite of several real persons

With his profits Harris was able to enlarge the Wren's Nest where he had brought his increasing family some years earlier, but despite his fame he never abandoned his simple habits. Painfully shy and sensitive, Harris was uneasy with strangers, yet his kindness and sense of humor made him beloved. He shunned publicity and when making an appearance with his good friend Mark Twain was too bashful to read his stories aloud. With great difficulty he was persuaded to visit President Theodore Roosevelt who later wrote, "All of our family agreed that we had never received in the White House a pleasanter friend or a man whom we were more delighted to honor."

As a youth, Harris worked in New Orleans for a time but homesickness for Georgia drove him back and he never again left for more than a brief stay.

The Wren's Nest where Joel Chandler Harris lived until his death is today maintained by the Uncle Remus Memorial Association.

* * *

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Editorial

Accolades for Statesmen

PEOPLE frequently fall into the error of generalization. It is a fact that if you were to ask most people you meet whether or not there were any real statesmen in Congress, you would be answered with a criticism of Congress and politicians in general or a vague "Don't know."

The fact is, however, that we do have great statesmen. How unfortunate it is their work is so little appreciated. There are men today in the Senate and the House who are literally holding the fort against the onslaught of socialism. They are valiantly trying to preserve our representative form of government. Their industry on behalf of their nation is something to be admired. Their vision would be a credit to any statesmen representing any people.

These people will come quickly to mind if you just pause to think a minute who is fighting the battle for a competitive, free enterprise system and for the maintenance of a representative form of government. Isn't it time that we strengthen their hands and that we lend them encouragement by publicly recognizing their service? Remember, the socialistic group never loses an opportunity to publicize the man who represents it in government. The constructive conservatives must also face the electorate, and if we show the world the respect in which we hold them for what they are doing, their constituency may more clearly recognize their statesmanlike qualities. This is a duty for all of us. Let us perform it.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

June 21
Connecticut State Conference
Orange, Conn.

October 13-15
Southeast Conference
Memphis, Tenn.
Tri-State Conference
Albany, N. Y.

October 14-15
Ohio Valley Regional Conference
Dayton, Ohio

October 20-21
Tri-State Conference
Sioux City, Iowa

October 21
Illinois State Conference
Chicago

October 21-22
Mid-west Credit Women's Conference
St. Louis, Mo.

October 28-29
Tri-State Conference
St. Joseph, Mo.

1950

May 14-15
54th Annual Credit Congress
Biltmore Hotel
Los Angeles, Calif.

May 17-18
North-Central Credit Conference
St. Paul, Minn.

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CONTENTS

(Cover photo from Central Studios, Atlantic City)

Convention delegates arriving at Atlantic City go through the usual business of trying to find their baggage.

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SINCE the days of the early Romans when they erected temples to Jupiter as the god who ruled over oaths, vows, conscience and the sense of obligation and right dealing, man has relied on promises. As these promises were respected and followed through by performance, civilization progressed; as they were broken and forgotten, the world's problems and misunderstandings developed. There is nothing more sacred in a civilized state of society than a promise. There is little more tragic than a broken or false promise.

A promise may be oral or written, expressed or implied, or it may be a natural consequence of a given action or set of conditions. Irrespective of the form it assumes, it is essential that it be treated as a pledge and that it be fulfilled.

A promise can be spiritual or material. It can be good or bad but a bad or false promise is a means of deceit and should find no more acceptance than a lie.

PROMISES

by **HENRY H. HEIMANN**

Executive Manager, National Association of Credit Men

HITLER, Mussolini and Stalin all promised their people a much better way of life but these promises were false; they knew they were false and they proved to be false. Even in the fulfillment of some of these promises, they operated on a false premise. Hitler assured his people that he would keep them fully employed. He did so by preparing for war. He employed them in armament factories with his sinister motives in mind. Of course he kept them employed, but that wasn't the kind of employment he promised them. Other promises of Mussolini and Stalin were equally vicious. Stalin and his gang are today offering their own false promises.

Long before we knew the wholesomeness and soul-satisfying attributes of religion as we know it now, primitive man and woman lifted their arms in worship, knowing full well that if they sincerely sought spiritual comfort, there was inherent in their very act a promise of peace and happiness they could attain in no other way.

We of this generation rely upon promises. In our nation we are promised freedom and opportunity if we conduct ourselves so as to be worthy of it. In some nations no such promise is implied, but rather, the lying assurances of a better way of life through a state-controlled society.

Webster says "a promise is a declaration, verbal or written, which binds the promiser to do or to forbear to do a specified act—a covenant — to afford reason to expect — to cause assurance."

IN our daily life we have had to develop a yardstick by which we can evaluate or weigh our transactions in work, agriculture, trade and commerce. Some people call it money but more frequently it is credit expressed in terms of money. It is evident therefore that this yardstick must be stable, unvarying, and that the government, whether it so expresses itself or not, has a sacred pledge of honor to maintain it on a stabilized basis. To do otherwise is to cheat and defraud and to destroy the faith of citizens in their government.

We are living in a world today that reflects the broken promises of yesterday. Mankind has a right to expect governments to labor for peace but broken and false promises have brought us two of the worst wars in history and now we are seeking a way to avoid a third conflict. Nations have enslaved and tortured people through broken promises in a way that would make the medieval horrors seem mild by comparison. Until there is more honesty in the protection of inviolable rights, people will continue to suffer throughout the world.

ONE of the problems we face today is the difficulty of overcoming the results of broken promises in the field of money exchange and credit. You cannot transact business with any assurance when you must evaluate your trade and commerce in a currency or exchange that has little stability or certainty of value. You cannot farm or work for a living successfully if your labors are rewarded in dubious or valueless currency. This problem is more than a problem for the financier or the centralized banking authority. It is a problem of the working man and woman, of the farmer and business man and the people living on fixed incomes. It seriously affects their daily life and it makes for such chaos and confusion that it is hard to plan for the future. It is a potent force for unrest since it gives dictators the chance to win a following.

We of this nation are not blameless in the present world monetary situation. We deliberately devalued gold to upset the only sound standard man had ever devised for a monetary yardstick. This promise made by our government and fulfilled by our government in most of our history was broken. Many questioned the rights of our government when it did this. Expediency is never an excuse for broken promises.

Keynote address delivered during the opening session of the 53rd Annual Credit Congress at the Ambassador, Atlantic City, N. J., on Monday morning, May 16.

vs. PERFORMANCE

YOU have throughout the world today a confusion of exchange and monetary values that is preventing a sound world recovery and delaying a return to peace. Arbitrary values that are unrealistic have been placed on the money of different nations. These values are a fraud upon their own people. They are a bold-face lie; they time and again shatter the faith and liquidate the industry and thrift of men and women.

When you resort to a managed economy in which you regiment people and defraud them of their savings through constantly devaluing managed currency, either directly by government edict or by the inflationary consequences of your program, you reap a harvest of social unrest, class hatred and national animosity. You build for wars and for the loss of faith in government. Your broken promise is a pathway that leads to a lower standard of living and a life of fear and suffering. You are levying what amounts to a confiscatory capital tax that would, if immediately realized by the people, bring on a rebellion.

A promise by government cannot and should not be taken lightly. It is a pledge that should and must be fulfilled. If a government seeks respect, it must, by its conduct, earn respect. A government, like an individual, must be careful in its promises. It must realize it is expected to fulfill them if it wishes its people to respect it.

IN recent weeks we have concluded the North Atlantic Pact. Many people were not convinced this was to the long range interest of the peace of the world. Some of the leaders of government could not understand how there could possibly be any skepticism about a plan they contend is so obviously in the interest of peace and for the welfare of mankind. Whether they were right or wrong in their puzzlement in trying to understand the doubt of our people is beside the point. However, there can be no question as to why many people doubted. They doubted because of the failure of government to fulfill promises in the past.

Not once but many times our people have been promised a better way of life and a more peaceful world atmosphere if they would only accept this or that plan. But though the plans were adopted, the fulfillment of the promises was never realized.

You will recall in the history of our times we were given the fourteen points. These were the commandments that were to be the guide posts for peace and happiness. No one can question or did question their idealism. But the fourteen points were soon forgotten and the world continued in its misunderstanding. These promises were mere scraps of paper. Next we had the treaty of Versailles. Scarcely had the ink been dry before it was realized that instead of this document insuring peace, it really made for unrest. It was a false promise to victor and vanquished. The Dawes and Young plans followed. These plans, we were told, would enable Germany to rebuild and at the same time permit other nations to rest secure in the knowledge such plans would prevent a return of militarism. Irrespective of how well conceived by the authors of the plan, the plan failed.

THE agreement to scrap armaments was presumed to be incontrovertible evidence of the arrival of an understanding world—but all these assurances proved erroneous and we faced the fact that in acting in good faith we made ourselves ridiculous in a world of militarism.

The League of Nations, nobly conceived, went the way of other efforts to establish peace. With due ceremony we celebrated the signing of the Kellogg-Briand Pact. Our celebration was followed by gathering war clouds.

Before and during the recent war

we told our people that Lend-Lease would tide the war victims over and enable them to move forward once the war had ceased. It did no such thing. We next devised UNRRA. That was to be the final effort but it proved to be but the beginning. Then we were told a British loan would help our gallant ally to effect a complete recovery. The loan was made but when the money was expended, Great Britain still was in need of help.

The Bretton Woods agreement was going to lead us out of the monetary confusion. It has done nothing of the kind. The International Monetary Fund was to be the real saviour of the world. The world is in confusion still. The Marshall Plan was widely proclaimed as the last act to insure a peaceful and cooperative world. We are more worried today than we were at the close of the war.

The United Nations at last was the answer to a world in distress. Thus far, aside from its settlement of minor misunderstandings, its principal use has been the establishment of a world broadcasting system in which the communists can expand their philosophies to the millions of the world's downtrodden and underprivileged.

The Good Neighbor policy was to insure peace and harmony with our neighbors to the south. Our neighbors to the south have never quarrelled more violently.

The China Aid Plan was to save China from the Eastern hordes. Today communists have that fine old nation by the throat.

It is now suggested we have a Far Eastern Plan and that such a plan is a must in the program for a peaceful world.

Finally, we have the Atlantic Pact and once again, we are being assured and reassured that this is the key to the solution of the world's problems.

I am not contending these plans were without value. As a matter of fact, they may have made a partial contribution to the solution of the world's problems. I am not trying to be critical of these efforts. I am contending it was wrong to tell our people they were sure-fire cure-alls. These assurances cannot be justified with the statement we had to propagandize and over-sell the people to enable the government to put these plans into effect. Any program that cannot be honestly placed before the people so that they may evaluate it on facts should be rejected.

Little wonder, then, our people are becoming progressively dubious. It is time for our government to be careful in its promises and to be more concerned with the fulfillment of its pledges unless it wishes to see the faith of our people in their government completely shattered.

WE have today in our nation millions of patriotic thrifty people who have invested their savings in government bonds. Now was there any promise made to these people when they invested? There certainly was. The people had a right to expect a sound fiscal policy from our government so that at the maturity of the bonds, they would be repaid in dollars of as nearly-like purchasing power as the dollars they invested. But will they? What is their situation today? Have they not been inflated out of half of the purchasing power of their savings? Is the government keeping its promise when it spends and spends and taxes and taxes to further lower the purchasing power of the dollar? In plain understandable language, is the government honest when it pursues such a policy or is it a lot of double talk to keep people's minds off their plight? How can the government expect its people to have faith in government credit when everything it does tends to destroy that faith? Isn't it time the government gave serious thought to keeping its promises? It has made a similar implied promise to every holder of a life insurance contract, every bank depositor and all other groups. Is it to continue its deceitful, comouflaged program of soothing its creditors with a socialistic lullaby score?

TO blame all of these situations on our two wars is putting the cart before the horse. What caused the two wars? Who was in charge of government when the two wars developed? Who were the ones responsible for the plans and programs? Who permitted Hitler, for instance, to get organized? Who permitted Mussolini to get a head start? Who rescued Stalin when he was all but liquidated? What were the programs that made for unrest? You will find, whether you like it or not, that most of the responsibility for the conditions that gave these people a hearing and enabled them to put forth their irreligious philosophy and brutal plans for conflict, rests on the administration in charge of governments which failed to keep their promises to their own people, by failing to act in time, or to the people of the enemy, by failing to see that any program they directed for these countries would not prevent a rabble rouser from taking hold.

Let us take a look in another direction. It is said that when Houdini died, he left the world with an understanding that if he found in the great beyond a spirit world, he would on a specified occasion or occasions come back to communicate with certain friends. On each of these occasions his friends have gathered awaiting his message but to no avail. One might conclude he found no spiritual world from which he, the great magician and spiritualist, could communicate. But a short time ago I am sure he must have come back to earth. I know of no one else who could have devised the proposed farm plan. Surely it takes a magician extraordinary to pay the farmers more and sell to the consumer at less. This is an economic feat worthy of only his wizardry.

The announcement stated the plan would give the consumer a break. I'm wondering whether they didn't spell "break" incorrectly. The added taxes he pays will surely prove a brake on his initiative. What is the promise implied in this program? The implication is very clear that it is a magician's plan that is not going to cost the farmer or the consumer anything. Such a promise is false.

NOW frankly, isn't it too bad that the most powerful government in the world must resort to this sort of chicanery in trying to help the farmer? Why deceive anyone? Why not the truth? The truth may not get votes but it will get respect and respect for our government is more important than all of the votes ever cast.

This isn't a discussion of whether or not a farmer should get a subsidy. It is a question of being frank; of how, if you give it to him, you intend to do it and who will pay for it.

A frank statement would be as follows:

"We propose to guarantee you a certain price for your farm product. This price will be slightly more than you are now receiving. You will sell your product at the market price. The

difference between the set price and the market price, assuming it is lower than the price we guarantee, will be paid to you directly by a check drawn on the Treasury of the United States. The Treasury of the United States will get the money to pay by taxing all of the people—you, the working men and women, the pension people and everybody having a taxable income will have to pay a part of the money we give you. We can't get it from the rich alone because there aren't enough of them. We can't get it from the middle class alone because they haven't enough to pay it. We will really in the end get none of it from business concerns because, if they pay it, they have to add it to the cost of their product and the consumer will pay it. It will be paid in any number of ways. When anyone buys a suitcase, he will pay part of it. If you commute to your job each day, you will be paying a part of it. If your wife buys a piece of jewelry, she will pay part of it. You will pay a part of it when you buy the necessities of life. In fact, it will work into the price of everything you buy one way or another.

"Now to get this check from your government, you will have to agree how much to plant, what to plant, when and what to sell and you will have to farm as you are told."

In addition, if you looked ahead and wanted to be honest in your statement, you would add: "If you should grow more than the market will buy, although we are not saying so, we will under these conditions try and get up some global plan to distribute it and get it out of the country.

"Of course you know the government is not a producer; it is just an administrator, so we don't have any money of our own. All we have is what we collect by taxes and we propose to collect from other groups and give it to you."

FORTHCOMING ARTICLES

Recent Trends in Distribution—Their Effect on Credit by Vergil D. Reed

The Credit Executive's Place in Management by Thomas H. Nelson

How Can the Credit Executive and His Staff Keep in Tune with the Times? . . . . . . by John H. Vogel

The Current Economic Picture from the Credit Viewpoint by Dr. H. E. Luedicke

What is the Current Aspect of Taxes on Business? by Alvin Burger

Accent on Equity . . . . . . by Edmond H. Hanrahan

The Place of Business Managed Utilities in the Modern Trend of Industry . . . . by P. L. Smith

What do we Know about Business Cycles? by Raymond C. McNally

THIS reminds me of the time a southern cotton farmer was given his first check for not planting cotton. That was in the days, you will recall, when we were destroying crops and livestock. I can't imagine a more irreligious plan, but it occurred in our own life time. This southern farmer got a check for not planting cotton. As he opened it and looked it over, he said to his wife who did what little banking he had to do, "Mary, you better put this in the bank and keep it there. Let's don't use it. It comes from Uncle Sam and you know he doesn't make anything. He just collects things. He collected taxes somewhere to get the money to pay this check. How do you know but what he may come around in the near future and collect money from us to give someone else a check, so we better be prepared and keep it in the bank."

I am not saying there should not be some measure of farm support. I am saying, if it is to be, let us be honest, open and above board in our promises.

I should be frank in saying that I see no reason why, if you support one group, other groups equally affected by inflationary forces should not be subsidized. How about giving the bond holder a check to make his interest a legitimate interest and not an artificial return? Why not give the annuitant an extra check to bring his receipts up to the purchasing power of his dollar when he invested his hard earned money? How about a subsidy for white collar workers or underpaid school teachers? In fact, if you wish to go all the way in a socialistic regimentation, why not subsidize everybody? In the end that may be the most effective way of deflating the socialistic balloon.

IT IS interesting to note that if you are an exceedingly successful farmer and have through thrift and industry grown to be a big farmer, you are out of luck. Your scheme of life doesn't fit into the socialistic philosophy. Your father and your grandfather probably told you that one of the great things about this country was there was no end to what you could accomplish if you applied yourself. However, we are sorry—times have changed—new era, you know—and don't you dare tell your child or grandchild he can by hard work get ahead and accomplish most anything. Tut-tut—you tell him Uncle Sam will take care of him—he needn't worry except to be sure he gets his place in the beggar's line. Honest Abe once said that "You cannot help the poor by destroying the rich," but Old Abe has been gone about a hundred years and he would be old fashioned in this era. He also said "You cannot build character and courage by taking away a man's initiative and independence." Yes, yes—but Abe had a rugged body and he could take it.

WE are living in new times and conditions are different today. Don't you know that? Of course all of this is reminiscent of the new era we were presumed to be enjoying in 1929. That new era, however, became rather old-fashioned in the early thirties.

It is an interesting thing that the promises of socialism are often partially fulfilled by taking away the fruits of capitalism. The production

(*Continued on page 28*)

OUR VITAL ROLE IN

by **WILLIAM L. BATT**
President, SKF Industries, Philadelphia

WITH all the uncertainties in the international picture today, one has reason to expect that a group of men like this, interested in the welfare of the business structure, will not be averse to hearing some observations on the economic climate in which the world generally, and the United States more specifically, finds itself. There never has been a time when we Americans have been as much concerned by what was happening elsewhere as we are now, and never a time when what happens elsewhere is as much affected by what we do or do not do.

It has not been so many years ago when most of us were pretty indifferent to what was happening outside our borders. Our import and export trade was negligible in amount and had no great bearing on our domestic prosperity. We didn't know too much about what was happening in the rest of the world and, by and large, we didn't care. We thought of ourselves as sufficiently independent of what was happening elsewhere, that we could take the world or leave it, as we chose.

AN intelligent group such as this will be the first to agree that those days are past. It will, I believe, accept my general conclusion that we in the United States are inextricably involved in the affairs of much of the rest of the world, whether we like it or not, and that there is an obligation of leadership resting on us today, the like of which we have never before experienced.

As a part of that obligation of leadership, I intend to talk with you today about a new organization of the United Nations which is now before our Congress for consideration, and on which a group like this will want to have some opinion. That new instrument is an economic one, designed to provide some degree of order in international trade relationships and, most importantly, to further the progress of freer and more multilateral trade.

This body about which I shall talk is the International Trade Organization—sometimes referred to as the Havana Charter. It was agreed to, subject of course to the approval of their respective governments, by the official delegates from fifty-four nations at Havana in the Spring of 1948. It was not something developed overnight or in haphazard fashion. It was a part of a long series of steps in our economic relationships with other governments, each of which was directed toward establishing an accepted code of behavior in this extremely complicated and involved field of world trade.

It seemed to be that final step which was essential to the proper functioning of all of the elements which had gone before it; as far as it could do, it covered the whole gamut of practice, not alone in import and export trade in a narrow sense, but in the behavior of governments and their citizens in the whole field of commercial relations. It was designed to reckon with tariff procedures of course but, of even greater importance, it met head on such objectionable practices as quantitative and qualitative restrictions, lack of protection for foreign investment, cartels, commodity agreements —in short, all of the myriad restrictions to the freer movement of goods which had been thought up by the genius of governments and individuals over the last 30 years.

THERE are many criticisms of the Charter. Some of them are as intemperate, on the one side, as would be those who, on the other, claimed the Charter a cure-all for every economic disease. It would, in my judgment, be a serious mistake to assert that the ITO will, in any foreseeable time, if ever, reconstruct the rest of the world in an American image; nor, in more immediate terms, will its approval quickly assure any substantial change in some of those characteristics of international behavior which we Americans dislike.

Some of these things—quantitative and qualitative restrictions on imports, for example—will surely go on, but approval of the ITO should limit them to the areas where they are justified by exchange shortages. Many Europeans are firmly convinced that their own economies require such protection. They have them now and without the Charter they are likely to keep them indefinitely. Cartels will not disappear overnight, for we are almost alone in our widespread criticism of this

THE WORLD ECONOMIC PICTURE

restrictive device. The Charter can bring them out in the open, require a government to defend them and, if found harmful in the public interest, hope to bring about their end. Capital will not suddenly find the safe assurance that it has lacked and very properly insisted upon.

IN this respect, the Charter registers some advances, but not enough. The fact that it was impossible to do more, of course, merely reflects the obvious fact that there is far from common agreement as to the rights to which foreign capital and management are entitled. No well-informed person would be so unrealistic as to expect miracles from the approval of the ITO; it is good but not that good. But short of revolution in the behavior of the economic world today, much of solid value can be brought about by it—of that I think there is no doubt.

LET us keep clearly in mind the things this far-reaching agreement proposes to do. First, it lays down a code of rules to govern international trade relationships; second, it sets up a specialized agency under the UN to provide the machinery for carrying on the discussion of these principles and their modification as time goes on, and all of this on an international basis.

In a world where such wide and basic differences of opinion exist as to the relation of trade to government and the individual, and where economic conditions and, in particular, the standard of living of the people differ so sharply, these objectives can of necessity be only long-range hopes; the realization of them will inevitably be delayed here, obstructed there, sometimes moving little or not at all but, one would hope, generally moving in a direction where governments exercise less and less pressure on the trade of their citizens, and more and more the principles of freer competition, less restrictive trade, are observed.

WE make a serious mistake I think if we look at the present chaos in which the world finds itself, in terms merely of the destruction and disorganization caused by the last war. In the argument about the worthwhileness of the ECA, I have been disturbed to see the frequent conclusion that the things which the ECA is intended to correct are of a short-time nature and primarily the result of the last war; in my opinion, this is not the fact. The fundamental shift in the economic balance of the Western World, out of which the preeminent position of the United States arose, came primarily as the result of World War I. Even before that—roughly about the turn of this century—there had been the growing self-sufficiency of North America, but its impact was never really recognized.

IN viewing this picture in its proper perspective, it is well to remember that throughout the hundred years preceding, Western Europe had been the workshop for the rest of the growing world. The arts and sciences were more fully developed there; the larger part of modern scientific contribution was taking place there; and much of the capital for the spectacular growth of the Western World was coming from there. Altogether, Europe was highly prosperous and the means of financing her purchases from abroad—food and raw materials principally—were at easy hand. She was the prosperous parent, in good health, with ample savings and growing children who helped to give her a well-rounded life.

Now by 1900, the growing industrialization of the United States had made substantial headway, but it was the first World War which gave sudden and powerful impetus toward larger self-sufficiency here.

United States' industries which had hitherto depended on importation from abroad in whole or in part, now built their own factories and needed little help from old Europe. A great surge in technical and scientific development took place. We could now "roll our own" and much of the stream of American dollars that had hitherto represented payment for imported goods dried up.

My own industry was a small but typical example. Before 1914 practically all ball bearings were imported from Europe—from Germany, Sweden, Italy, Switzerland and France. We here were largely selling agencies. But that was completely changed by the first World War, for adequate factories were set up in the United States and we became fully self-supporting; a large

This is the text of the author's address delivered at the closing session of the 53rd annual Credit Congress on Thursday morning, May 19th.

mass-producing industry had grown up where there was none before. But critical to the point I am making, Europe lost this customer and its dollars so necessary to her own purchasing requirements.

This is only one small example; there are many others. The trend went on through the 20's and 30's, given a strong push by our increased tariffs of 1930 and our own depression, both of which further reduced our necessity to buy from abroad.

WITHOUT further detail, I merely want to make the point and to make it emphatically, that *even before World War II,* Western Europe's economy had undergone a drastic change and was already headed for trouble. Only under the most favorable conditions did this area have enough earnings for sales and investment abroad to meet the bare necessities of its daily life. The prosperous parent has already lost her position of comfortable affluence and the children are more and more on their own.

World War II put on the finishing touches. Western Europe's remaining investment had largely to be sold and this source of earnings—and particularly dollar earnings—had disappeared. The wide-spread physical damage of the war by itself was enough to create a crisis, but added to that were the host of other major and minor dislocations that, after a victory, left the European victors well nigh prostrate. Like a man with a nervous breakdown, the powers of reconstruction and leadership were at low ebb. Abroad, constructive programs and policies could only be expected to be in the minority. People everywhere in much of the rest of the world were hungry, fearful—at best uncertain—and it was understandable that they would fall a ready prey to false and glittering promises. Wherever a vacuum exists, something will move in. Communism obviously throve on that atmosphere.

Because of the relation of physical prosperity and comfort to political peace, this situation was at the same time our responsibility and our challenge; our responsibility because, given a more realistic political and economic policy by the United States in the 20's and 30's, there might have been no war; our responsibility, because the end of that war left us as the one nation in the world with overwhelming resources and productive power; our challenge because peace and freedom were so dear to us and because we were the only people who could be looked to in any substantial way for that guidance and assistance which virtually all the rest of the world so desperately needed.

LET us look at ourselves and our position for a moment—try to see how we appear to these other fifty-odd nations. We can hardly fail to recognize, at the beginning. some seeds of trouble simply in the great disparity between the material wealth of North America and the rest of the world. Together, Canada and the United States represent some 7½% of the world's people but they produce over half the world's meat and corn and wheat, electricity, petroleum and critical metals. We have more than a third of the world's railroads and far more than half of its telephones, automobiles, bathtubs and life insurance policies. We have more churches, schools, libraries, hospitals, colleges, welfare institutions, and paved roads than all the rest of the world put together. We dress better, eat better and are better housed. We are better off physically and mentally than any other people on earth. We still have more freedom than anybody else. We can go when and where we want to and do what we want as long as we don't infringe upon the rights of others. We can, I think, claim with humility and gratitude that our climate for all the freedoms is a favorable one.

BUT these assets carry with them large liabilities. A significant one that we are apt to overlook is that our prosperity is actually a matter of vital importance to much of the rest of the world. We are the biggest customer in the world for most of the items in world trade, and whether or not we are buying makes all the difference to those whose living depends on supplying us. We are, by large amounts, the principal user of such things as natural rubber, tin, lead and copper, to mention only a few examples from a long list of foreign products, and when times are good here, our purchases mean prosperity for others. Even a moderate recession here will mean a large drop in our buying, with proportionate effects around the world.

But, quite aside from that, the mere comparison of our way of life, as unfair as that may be, has to be kept in mind. If one accepts the conclusion that we are more and more only a part of the world and less and less able to live only to ourselves, then the complications and contrasts arising because there is this very prosperous and healthy section on the one hand, with depressed conditions and low standard of living on the other, cannot be lightly disregarded. With wealth and power must obviously go responsibility—that has been true always and everywhere throughout history.

AS much as we should like it, we are no longer able to do as we alone would choose. To make our decisions on economic or political questions solely in the light of our own immediate self interest is not now enough. Economically, perhaps even more than politically, much of the rest of the world stands or falls by what we the people of the United States do or do not do. It is not, therefore, now merely a question as to whether we *want* to assume the economic leadership of the world—probably the political leadership as well—but I submit to you that there is literally no place else to look for it.

The very destiny of the world lies in these decisions of ours today and the history of the future is certain to hold us highly accountable.

The trend of the reactions of the American people over the last few years gives substance to the hope

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The CHALLENGE

to credit and sales executives

by MERRITT D. HILL
General Sales Manager, Dearborn Motors Corporation, Dearborn, Michigan

ALTHOUGH I have had some limited experience in direct credit management, what I have to say here is said strictly as a sales executive and so the observations I express have been taken from that point of view.

In my opinion, credit executives and sales managers have a great deal in common and this has been particularly true these last few years. Few of us have had to do much really constructive thinking or put in long hours of hard work and concentrated effort due to the fact that business has come easy, money has been plentiful, and little sales effort has been needed. Further, business failures have been few. From the standpoint of the salesman and the credit man, it has been truly a time of milk and honey.

This situation has been changing rapidly these past few months, however, and it now appears that more and more sales managers are having to dig in again and plan and work in order to get business. Nor are they alone in this; from what I read and hear, the need for sound, realistic credit management is again being reflected in the current credit situation.

I HAVE mentioned that credit executives and sales managers have a lot in common and I am sure that if their respective companies do well in the next 2 or 3 years, it will be the result of our salesmen and credit men working closer together than ever before.

For one thing, there seems to be agreement that distribution costs in general and selling costs in particular need to be reduced. Now, use of time—salesman's time—is one of the key factors affecting selling costs. Anything you and I can do to conserve the salesman's time so that he can spend every possible minute of it in the presence only of those who are able to buy what he has to sell is going to influence selling costs materially.

You may never have thought of it in this way before, but let us never lose sight of the fact that no salesman can make a sale unless he first has a prospect for whatever it is he is trying to sell. So, now let us ask ourselves, "What is a prospect?" For it's in this field of determining prospects that the credit manager, in my opinion, gets into the picture and becomes vital to the progress of the sale.

FIRST, as you all know, the sales job begins with a suspect, who is no more than any person we *think* might buy whatever it is we have to sell. In other words, most often, the suspect is no more than a name. We can never be sure whether this suspect is a prospect until we have first applied two basic measuring sticks and determined the answers to these two questions:

1. Does he have a need for what we have to sell?
2. Has he the money or credit with which to pay for it?

Obviously, if the suspect has no need for our product, he is not a prospect and by the same token, though he has the need but can't pay for our product, there isn't much point in spending valuable sales time on him. How many times have you heard the statement —"He's a good prospect, but he can't afford to buy." Let me tell you, there is no such thing as a prospect who can't afford to buy. If we cannot satisfactorily qualify the prospect with regards to money or credit, then no amount of selling can make up for that deficiency and even though we might sell him, if he did not measure up as regards money or credit the sale would likely end up with a loss.

In other words, this matter of intelligently qualifying prospects is the very foundation for every *profitable* sale. This fact and the important part played in it by credit becomes more apparent when the three steps, which must be part of every sale, are applied if the prospect is to be converted to a customer.

IT'S the Credit Manager's job to help in qualifying the suspect. If a good job is always done in this phase of selling, losses through repossession or bad debts should be low. The danger is that a credit manager may be so anxious to have a good record that the sales department has trouble in obtaining sufficient volume because so many suspects are disqualified by the credit department. The secret to this is a good balanced operation. Not playing it so safe that no losses occur and yet keeping losses in line with acceptable business standards. This, of course, is elementary with credit men like ourselves but I did want to start at the beginning of our problem and attempt to develop my

ideas with all of us having a clear and common understanding.

This matter of good balance in the granting of credit is not something that can be worked out by formula. If such were the case there wouldn't be much use for credit executives. But, the fact is that the need is great because that all important ingredient known as judgment is involved.

A SEASONED, well-trained, and experienced credit executive sees a great deal more in suspects', prospects', or customers' financial statements than a clerk in a credit department usually sees. Moreover, the real credit executive is frequently not satisfied with only the information shown in an operations statement or balance sheet. The seasoned and experienced credit executive has learned that the interpretation and weighing of the "3 C's" has more to do with credit granting than meets the eye of the uninitiated.

When it comes to the process of interpreting and weighing all the facts and information in any given case, there is no substitute for knowledge and experience backed up by lively curiosity and judgment. That's why good credit executives are not developed overnight. For example, when it comes to the matter of evaluating the "capacity" or "character" of a suspect or prospect you're in a field of intangibles where experience and judgment are as necessary to sound conclusions as the propeller is to the airplane on a flight.

Every one of us, I am sure, has had the experience of failing to do a thorough enough job of analyzing a suspect's or prospect's experience from the standpoint of capacity or character only to have some competitor end up with a new customer who turned out to be a big volume account. Conversely, perhaps you have had the experience of granting credit to what was considered at the time to be a sure bet and end up with a bad debt loss.

TODAY we are in a rapidly changing market. Most industries and companies are now finding it necessary again to sell their merchandise. Generally speaking, inventories are up and sales volumes down in many lines. Shifts are taking place so fast and new trends developing so rapidly that it's hard to keep pace. For example, recent figures indicate that total installment credit at the present time is roughly more than eight billion dollars. This compares with $5,417,000,000 at the end of 1940 and only $2,325,000,000 at the end of 1945. Also, financing costs are increasing in many cases. Incidentally, I noted in the *Free Press* a few days ago where repossessions of automobiles are up 30% for the first quarter of 1949 over the same period for last year.

The importance of credit and the men charged with responsibilities for policy covering extension of credit are gaining momentum daily. The next two or three years will undoubtedly provide the opportunity of a lifetime for credit executives. The opportunity has never been greater to prove to your companies and to yourself just how important a contribution you and your departments can make to sales volume and profit.

In my opinion, your success will not come as a result of using rule of thumb credit techniques. It will be a period when improved fact-finding methods plus good judgment will hit the jackpot. During the next year I am sure that the most successful Credit Executives will be required to get fresh facts about prospects and customers not only faster but more frequently. Also, it will be necessary to more carefully analyze and interpret the information and facts gathered if sound credit decisions are to be arrived at and sales departments kept in position to cope with the problem of maintaining a satisfactory volume of business.

THE next year will, I'm sure, see a lot of wholesalers and retailers "cashing in their chips." Men who have made a lot of money these last few years in wholesaling and retailing are likely to take their winnings and wait to see what's going to happen. Others who have grown older will say it is a good time to retire from business and sell out. This means a new crop of businessmen will be taking over in many places. Some of those will be your prospects or ours—your customers or ours—but bear in mind, many of them will be unknown. We'll be required to make analyses and decisions on them that will have an important effect on our businesses.

We can all agree that the next years will be a period of great competitive activity. In such periods there are certain to be many casualties. Business failures climbed to 216 in the week ended March 31st—that is the largest number reported in any week since May 21, 1942. And many of your prospective prospects and customers with a good record for the past years may weaken and indulge in some unsound business practices which could quickly change their financial status. If your organizations fail to keep them on sound footing it can bring losses and disastrous results to the front door of your own company and perhaps blame to you and your Credit Departments.

WHAT we have discussed so far has been concerned pretty much with the more direct credit responsibilities involved in wholesale selling and retail selling. In connection with the former, however, and most particularly as it relates to selling through franchised dealers, the credit man faces responsibilities which, while presenting greater opportunities for him, demand a much wider viewpoint and the application of broader credit knowledge and skills.

These are concerned with the general field of dealer development and, most particularly, the business management factor in that development.

Under highly competitive conditions operating margins frequently are squeezed and, as we all know, unless adjustments in overhead are made losses can result on an equal or improved sales volume. As an example, many wholesalers and retailers have been taking salaries out of their businesses in the past few years in excess of their real contributions to those businesses. In a highly competitive era they cannot continue such practices without jeopardizing their businesses.

It is going to require some good analysis and sales effort toward some of our customers to get their thinking in tune with present conditions. The matter of the amount of

capital required to obtain a given volume of business is something which should be corrected in the mind of many wholesalers and retailers. Abnormal turnover which has been experienced by many folks in business during the past few years of shortages has created erroneous ideas about the amount of money required to conduct a business in normal times. (Some dealers selling our merchandise got 12 turns a year in '47 and '48, but in 1950 if they get 4 complete turns of their merchandise it will be good.)

ANOTHER touchy point which must be corrected with some of our customers is the amount of net profit to be expected. Large numbers of dealers, including some handling our merchandise, have shown abnormally high net profits for the past few years primarily because they had little sales expense. Now when real sales effort is needed to get sales volume many of them think it is terrible because they can only show 7% or 8% net on sales instead of 10% or 12% as they have been doing.

The same thing applies to the capital investment. Certain folks have been able to get their invested capital back in two years or less. Now all of us know that is an abnormal situation but it indicates that steps must be taken to correct such thinking now in the minds of too many business people.

The particular point I want to register is that our credit and sales departments have a real selling job to do in correcting some of this thinking. Beyond that many of us have an important job to do in teaching and training wholesalers and retailers better business methods in the operation of their respective businesses. Indeed, we must do it if we hope to keep them as good sound credit risks capable of moving a satisfactory volume of merchandise for us at a profit.

This, as we all know, is not an easy job, especially when a man has a good record of making money; and don't forget that a lot of them are in that position today. It remains to be seen whether they got in that position as a result of their ability or whether it has resulted largely from the generally favorable conditions.

This is the text of a talk given by the author at the April 12 meeting of the Detroit Association of Credit Men.

GOOD business management in your customers' businesses is the best credit insurance possible. Every department of your company should be interested in any programs that your credit department can develop to assist in the solution of this problem. This should be especially true of your sales department because only as long as a customer is in good financial condition can he be considered a satisfactory outlet for that sales department. Anything that can be done to help our customers in keeping themselves strong financially will reflect favorably on the welfare of every employee in our respective businesses.

It may be different with the retailers who represent some of your companies but in our industry and in our business we have many retailers who are lacking in business management background, experience, and training. Many of them recognize their weakness and want our help and guidance in such things as budgeting, forecasting, inventory controls, accounting, personnel training, and other management activities present in all businesses.

We have one big advantage that many of you do not have with reference to this matter and that is that dealers selling our products are franchised dealers. For the most part, the big share of their sales volume comes from the sale of our products. However, if through analysis and study of your wholesalers' and retailers' problems you discover some of their weaknesses and develop sound plans and programs for helping them, I am sure your sales organization can sell them on the idea of taking advantage of such help. (Our standard accounting system is an example of the type of assistance we are giving along this line; also, our monthly statements to our distributors showing their position with regards to sales, profits, and operating expense in comparison to the average.

THEREFORE, as I see it, the challenge to credit executives today is to broaden their viewpoint—to take a long objective look at the responsibilities and opportunities involved in keeping a satisfactory volume of business flowing from their company to their customers and on to the hands of the ultimate consumer, not by the extension of credit to questionable accounts, not by introducing credit terms or practices that have proven unsound in the past, but rather through new constructive methods which may assist their customers and their own Sales Departments.

If you as a credit executive will take genuine interest in the welfare of your customers and prospects, if you are fully informed and acquainted with their business management problems, then I am sure that working hand in hand with your sales department and top management of your company you will discover ways and means of utilizing your resources to the best advantage of all concerned.

BUT a broader viewpoint only in the mind of the chief executive is not sufficient. You have an educational and training job to do with your junior executives and on down to the credit correspondents—yes, even the last clerk hired—if you are to develop a new credit viewpoint and psychology in your organization. This, of course, means hard work, extra effort, and sound thinking. But from your own selfish viewpoint, let me say that I am sure the credit executive who steps up to it will be rewarded. If your viewpoint has expanded and you have the ability to carry this through to your own personnel so they can carry it out in their everyday jobs, then greater recognition for you is certain.

The credit executive who recognizes that in a business there are two important departments or divisions responsible for sales volume—the sales department and the credit department, who works with the sales department in an effort to get every last dollar of profitable sales volume, will certainly be recognized as a leader in the field of modern credit management. Further, he will be rewarded in line with the contributions made. As we know, wages, salaries, and profits originate with sales dollars. Any individual

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The Credit Manager and the Accountant —Their place in the Professions

by R. WILLIAM PETERSON
Controller, Puget Sound Power & Light Company, Seattle
National Director for the 10th District

AS we look back over the years, accountants and credit men realize that their interests and professions have been and still are closely intertwined. In a sense, we are partners in business. In 1896 the National Association of Credit Men was formed. The same year, New York State passed the first Certified Public Accountant legislation to be enacted in the United States. The following year (1897) witnessed the birth of the New York State Society of Certified Public Accountants.

This parallel formation of the National Association of Credit Men, which is the professional and service organization of the credit fraternity, and the New York Society of Accountants was not a coincidence. Accountants and creditmen have long recognized the necessity for organization in their respective fields in order to meet the expanding needs of industry more efficiently.

Let's take another look at the family tree of the National Association of Credit Men. Today this Association is the second largest business organization in the country, the U. S. Chamber of Commerce being the largest. Today the N.A.C.M. has about 30,000 members, and is organized into 129 units or affiliated associations, all located in the major distributing centers of the country. Correspondingly, we are all proud of the growth and development of the various accounting associations with their thousands of members and hundreds of chapters banded together as a cooperative movement for the advancement of the science of industrial accounting.

YOU ask what has the National Association of Credit Men done to maintain its professional status? A very good question. Through courses given in various universities on credit and allied subjects, and through the National Institute of Credit sponsored by the N.A.C.M., with its many chapters throughout the nation, a body of credit administrators has been developed, educated, and trained to cope with the daily problems arising from the complexities of business.

Superimposed upon all of the regular educational courses related to the field of credit is the very important project which the N.A.C.M. promotes known as the Executives' School of Credit and Financial Management. It is conducted each fall at the University of Wisconsin.

The 1948 enrollment for this special course was limited to 160 men and women who came from many states in the Union. Enrollments thus far included presidents, vice president, treasurers, controllers and other key executives who have top management responsibilities with or without supervisory authority over a credit department.

In this school emphasis is placed upon the development of the individual's abilities, skills and understandings relative to the basic knowledge of economics, finance, accounting and the techniques of commerce.

All of this is conclusive evidence that top credit men and women throughout this land of ours are constantly working like "eager beavers" to uphold the dignity and importance of the credit profession.

A fair appraisal of the credit educational program is that some day it will be obligatory for all credit managers or credit executives, at least those of all large business firms, to possess a certificate issued by the National Association of Credit Men, or perhaps someday, a certificate issued by a state, similar to that now being issued to Certified Public Accountants.

THE N.A.C.M. is now 53 years old. As the years went on, credit men found that they needed definite facts and figures if they were to assist sales and reduce losses. This meant the use of financial statements as a basis for credit granting, not only the comparative balance sheet but the comparative income statement and the surplus statement as well.

Credit executives realize that there are many sources from which facts may be developed and on which they must rely in predicating sound business judgment. When you stop to consider the thousands of diversified accounting systems in operation it is understandable why the credit man's knowledge should include the ability to quickly analyze, at least to his own

satisfaction, any set of records he may have the opportunity to examine.

Yes, there is an accountant's role to be played in credit management. The mere comparison of quick assets to current liabilities is only elementary. The credit man who does not possess considerable accounting knowledge is apt to make unwise and hasty decisions which will cause endless difficulties, so far as credits and collections are concerned, including severe criticism from the officers of his company.

The ability to interpret and reconstruct balance sheet figures, if necessary, to arrive at a true financial picture is without doubt a qualification for successful credit determination.

WHO controls the business—the creditors or the owners? This can be determined by an analysis of what accountants call inside equity —that is, the owner's share of the business compared with the creditor's share of the business, which is often termed outside equity.

Generally speaking, in the average type of business, when the debts, that is, liabilities, current and fixed, begin to equal the net worth of the firm there may be serious trouble ahead.

Putting it another way, when the net worth equity substantially exceeds the creditor's share of the business this usually means a healthy relationship and bills can be paid promptly ,and that is music to the credit man's ears.

In offering these remarks I am mindful of the fact that in certain lines of business, for example, the light and power business, it is possible by the use of the long-term type of indebtedness to bring about a relationship where the so-called outside equity is in excess of the owners' equity and still have a reasonably healthy state of affairs.

NOW I am not going to bore you with a lot of examples of how credit administrators analyze financial figures. Aggressive credit men are keenly interested in various ratios, such as, turnover of inventory, accounts receivable and so on. Accountants are interested in the same facts and figures. Why? Because the ideal status of any business exists when merchandise stocks, or services, are rapidly turned into accounts receivable and then converted readily into cash to pay the debts as they become due.

In speaking of cash, most new businessmen seriously underestimate the need for working capital. Lack of adequate working capital caused by heavy tax payments, unbalanced inventories, loss of production through labor disputes, and finally, the dwindling purchasing power of the public, will force business to a credit-seeking status. Often the mistake is made that all sales will be for cash, when as a matter of fact, few businesses can exist without at least some credit sales.

Experienced credit managers read more into a financial statement than mere figures. For instance, when it comes to a young business, he feels that the capital of that new business should be sufficient to allow for at least one serious blunder in judgment during the first year of operations. This viewpoint is highly important, for the business which has so little working capital that it cannot survive one whopping mistake the first year or two is practically depending upon a miracle. So far as I know accountants and credit people do not live by miracles.

May I also remind you that the commercial mortality rate in this nation would be substantially higher if it were not for the fact that in the past many a business man who has been headed toward bankruptcy has been saved and transformed into a successful business man by the simple expedient of his creditors' insisting upon placing a really experienced accountant in charge of the books.

Now I realize that my chat with you has been very elementary, but it all adds up to the point that credit managers see the wisdom of close cooperation with accountants because credit administrators have to feel assured that the figures, upon which they rely, have been prepared by competent accountants, accountants with integrity, and that the statements represent a condition of current date.

The author delivered this address before the Pacific Northwest Conference in Vancouver, B. C., on March 17, 1949

I AM going to take the liberty at this point of considering with you some of the qualifications which are common to accountants and credit men.

It seems to me that the logical approach to this matter of classifying our qualifications is to ask a series of questions:

What does the public expect?
What do our customers expect?
What does our management expect?

from accounting and credit tops. A simple one word answer is PLENTY. With plenty expected of us we realize that our jobs call for a combination of high qualifications.

Let us direct our attention to just four important requisites which describe a valuable accountant and credit man as a scientist, psychologist, economist and a statesman.

AS proof that the accounting and credit fraternities are founded upon scientific foundations we have but to refresh our minds and recognize the tremendous growth of our organizations over the past fifty years which I touched briefly upon earlier. Our growth has been a step by step development based upon grass-root principles applied to business needs and services. Our associations are composed of many leaders who have achieved national recognition in the field of business. Reputations of this kind can only be the result of long hard years of scientific application to the financial side of commerce. In short, the doing of our jobs intelligently is being scientific. Expert accounting and credit work in their true bigness are just as surely a profession as medicine, law, engineering or any other professional activity. We have often been referred to, or called upon, as skilled specialists in the field of commerce and industry. Therefore, let's continue to put our best foot forward and respect our work for what it is, scientific and professional.

In considering the second qualification, that of being a psychologist,
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BONDS

Your Protection

by HENRY G. SHEEHY

Vice-President, Massachusetts Bonding & Insurance Co., San Francisco

IN your business you pass upon the ability of your customers to pay for your products. In ours we sell a service—that of furnishing, for a fee or premium, a guarantee that our applicant, who may become your customer, will pay for the merchandise that he may purchase from you.

While our guarantees are diversified, they are of particular interest to men in the construction industry. In this branch of our national economy, bonds are required on all public work—city, county, state, federal. In fact, the law requires bonds on projects let by any public body, such as irrigation districts, sanitation districts, etc.

Within the last few years, because of the demonstrated value of surety guarantees, more and more private contracts are bonded.

I think it is safe to say that within a few years architects and engineers on private work will require bonds as a matter of policy. That is as it should be; some businessmen, having agreed to supply materials, should have the benefit of a guarantee beyond that furnished by the contractor's capital and lien rights against the building.

Too often, as we well know, the contractor's standing changes. Then when you are confronted with the necessity of filing a lien, you frequently find to your sorrow that your lien is secondary to a mortgage, leaving you with little or no equity from which to recover your claim.

IT has always seemed to me that an owner, whether public or private, in requiring a bond receives a great deal for his money, as he thereby obtains an insured low bid. In practically all cases, and always on public works, the contract is let on a competitive basis, which means that when we bond the low bidder we insure his judgment against that of his competitors.

This difference between the low and the second bidder may run from a few hundred to many thousands of dollars. By requiring a bond the owner insures the realization of this difference. He knows that the project is going to be completed according to plans and specifications, and he is assured that the material houses and sub-contractors will be paid.

The costs of bonds vary, depending upon the type of construction, but it is never more than one percent of the contract price. Surely that is a reasonable charge to pay for a guarantee that insures the realization of the other 99% of the cost of the project.

If bonds were required on all private work, your worries as credit men would be over, except for having to keep in touch with the status of the project to file your claim within the time required by the terms and conditions of the bond. Notice to the surety and the time for filing claims for private work will vary according to the bond and the law. When you have any doubt, be sure to check with the bonding company in order to make certain that your claim is filed within the designated time.

Talk Presented to the Engineering and Construction Credit Group of the Pacific-Southwest Credit Managers Conference

In California, for example, on private work a claimant must file notice of lien within thirty days from the date notice of completion is filed. Generally speaking, the surety company permits a right of action within six months after the filing of notice of completion.

On public improvements in California the law does not permit the filing of liens, but you may file a stop notice, or verified claim, with the public body within thirty days after the notice of completion has been filed, whereupon the public body must withhold from the balance due the contractor, an amount at least equal to your claim. Notice within this period should also be given the bonding company, as generally when stop notices are filed, their value exceeds the balance due from the owner to the contractor. If no notice of completion has been filed, creditors have 90 days to file stop notices after completion of the contract.

In California material men have a separate right of action against a surety, provided their claims are filed within six months after the completion and acceptance of the project. This six months starts running after the filing of notice of com-

pletion. Where no notice of completion is filed, then claims just be filed within six months after the expiration of 90 days following completion of the contract.

ON Federal work, the law which governs is known as the "Miller Act." It requires that material houses who have balances due from sub-contractors must file verified claims with the general contractor within ninety days from the last day on which material was last furnished.

It is important to remember that the Miller Act does not provide protection to materialmen who supplied a materialman who supplied a subcontractor.

Sub-contractors have one year after the final settlement of a Federal contract in which to file suit or claim against the surety. Each of you should be sure to familiarize yourself with the bond provisions of the Miller Act, as it is the only protection given you on Federal contracts. You cannot file liens or stop notices on Federal projects, but must rely on the bond.

The laws of the several states vary, of course, as to public work let by public bodies within those states, but the Federal provisions apply on all Federal contracts.

IN the extension of bonding credit we also apply the three C's—Character, Capacity, and Capital—but in these times we are adding a fourth "C" — which represents "Changing Conditions."

We have already found that we cannot insure risks that we could, with safety, assume a year or two ago. We have found, as has everyone else, because of these changing conditions the construction industry has become much more competitive, which means that contractors, both general and sub-, as well as material men, have a much smaller margin of profit. This margin or cushion, heretofore relied upon to absorb unexpected expenses that contractors frequently meet, has been so substantially reduced that we must make very sure that they have the capital with which to take the losses. The jobs themselves won't stand it.

Besides, you credit executives are requiring morc prompt payment of your bills, which means that the contractors have to have more capital—their own or their bank's.

Another situation to consider is the group of new contractors who have been attracted to the industry within the last few years. This new group is finding it extremely difficult to compete, and it is from their numbers that we can expect a high mortality.

THERE are times, I know, when credit managers have wondered why bonding companies have assumed certain risks. I too have wondered about the same thing, and I expect my competitors have wondered how we have been able to take certain risks. In such cases the bonding company has been convinced by the contractor that despite all indications to the contrary, the project is a satisfactory one, or (and this is frequently the situation) the contractor has established a special fund, or has obtained the indemnity of someone interested in the project to protect the surety.

The qualifications for an applicant for a bond are determined in accordance with a rather standard formula or routine. A most important requirement is the application. The answers tell us how large the contract is, the amount or amounts of bonds, the nature and description of the work, the contract price, the time limit, comparative bids, work on hand, amounts to be sublet, percentage of monthly payment, and other equally pertinent information.

A knowledge of the comparative bids is very important, as it enables us to judge whether our applicant's price is adequate. If there is any doubt, then we must make sure that he has adequate capital to absorb the difference.

The payments made to the contractor are important in order that we may know whether he will receive a sufficient amount each month, which, together with his capital, will enable him to finance his operations.

Other work on hand has a material bearing, as it likewise requires financing and organization.

The equipment the contractor has, or will have to buy, is carefully looked into. Obviously a contractor who has all the equipment necessary for the job does not have to have as much cash as a contractor who will have to purchase equipment.

A contractor's reputation for adequacy of his bids is an important factor. It naturally follows that a contractor who is frequently out of line on his bids must be given a great deal of study.

The location of the work is important. If it is mountainous country, or subject to heavy weather, our requirements are necessarily greater. The time limit also has a bearing. If there is a heavy penalty for noncompletion, we want to know about it. A contract that is going to extend over two or three years gives us a lot more to think about than one which will take only six months to a year to complete.

After these factors are weighed, we then turn to the contractor's financial statement. We have a detailed form which requires the contractor to disclose his cash in bank, the name of his bank or banks, his securities, accounts receivable, equipment, etc. After all these factors are weighed, the underwriter, having in mind the contractor's reputation, his skill, competency and reliability, is in a position to make a decision.

WHILE the bonding business represents obligations assumed by insurance companies, it is not insurance. Insurance generally is predicated upon the principle of collecting premiums from the many, which it is hoped will prove adequate to take care of losses expected from the comparative few. When the losses from the few increase out of proportion to the premiums collected from the many, then the premiums charged for all risks must be increased.

The theory then is that the premiums received for insurance, whether it be automobile, fire, life, etc., should be adequate to take care of the claims, although unfortunately it does not at all times work out as scientifically as that, as there have been and will be years that insurance companies disburse considerably more than they collect.

Surety bonds, whether they be for contractors, or the many miscellaneous types, cannot be written on the same basis as insurance, as we do not have the same spread of risk. We could never collect enough premiums to permit us to write bonds on the same basis as insurance. We must therefore apply certain rules and regulations, and maintain certain standards to enable us to extend our

credit with reasonable safety to those that qualify.

Actually the premium charged for a bond is intended to be a service charge to compensate us for the use of our credit. Therefore since we have to depend on the outcome of each individual risk, we must exercise every possible precaution to avoid trouble. In a sense, our operations are akin to that of banking. The banks loan capital—money at interest. We loan our capital in the form of a guarantee. Neither business can afford to make many mistakes.

MISTAKES we do make, and mistakes will be made, as the writing of bonds, in addition to the usual underwriting considerations, involves the judgment factor. A risk that may look good to me may appear undesirable to someone else. That is why we have competition, and that is why we also have losses, as errors of judgment are bound to occur. The time will never arrive when contractors, credit men and surety underwriters will be infallible.

We also have losses which arise from unexpected or unforeseen problems. These are the most costly and they are the sad ones. Changing conditions contribute to this type of loss.

I would like to close with a message that it is the desire of the bonding business to work closely with you credit men. We realize and expect that your industries should rely on the guarantee furnished by surety companies, and that you expect your claims to be paid promptly. You can help us by letting us know when contractors are becoming delinquent, as it is not always possible for us to ascertain when a contractor is in that condition. There is no surer sign of an oncoming default than a contractor's inability to meet his bills with reasonable promptness.

THE CHALLENGE

(Continued from page 13)

or division of the company helping to increase those sales dollars is in reality a part of the sales organization. In my experience as a sales manager I have never considered the credit department as being anything but an important part of the sales department. Indeed, I feel strongly that any sales manager who fails to operate along such lines is passing up one of the most essential tools of selling—sound credit management.

AS a tractor man, I can hardly be called a horse enthusiast. Frankly, I'm not given much to talking in terms of horsedrawn vehicles, but for this particular purpose this illustration seemed to visualize the main point I've been trying to make about the close working relationship that needs to exist between salesman and credit man. Think of a two-horse wagon. The wagon represents sales. The horse on the left is labeled "Credit Man" and the one on the right "Salesman." The road ahead is called "Qualified Prospects—The Road to Profitable Sales." So long as these two horses are pulling together—they're going to pull the Sales Wagon straight down the road. If anything happens to the "Salesman" the pull will be off course and we'll become bogged down because of "Lack of Sales Opportunity." Without the "Credit Man," however, the results will be equally disastrous since the pull will be to the opposite side of the road and we'll be mired in the muck of "Wasted Time and Effort."

SO I say to you that the challenge to credit and sales managers is one we have in common—to get all of the profitable sales volume we can at the lowest possible cost using sound business practices and every good sales tool in our kit plus doing everything we can to keep our outlets for our product in a healthy competitive condition, friendly toward our company and its policies.

It is a real challenge to be sure, but one which if well-executed can assure all of us of steady positions and good remuneration, plus the satisfaction that can come only from knowing we have made sound contributions to progress, discharged our responsibilities well, done a good job!

Northern Wisconsin Credit Men Hope For Early Par Clearance

A SERIOUS omission was made in a short article in last month's issue of CREDIT AND FINANCIAL MANAGEMENT regarding the efforts to have enacted a par clearance law for the State of Wisconsin. The article stated that the members of the Milwaukee Association were optimistic about the outcome.

So they are! But so are the members of the other Associations in the State. Fuller details reveal that the measure was first introduced by Assemblywoman Sylvia Railey of Chippewa Falls, Wis. This was done at the suggestion of the Northern Wisconsin-Michigan Association of Credit Men and the Central Wisconsin Association, headquartered at Oshkosh, with the assistance of G. O. Thorpe, of the First National Bank of Chippewa Falls, President of the Chippewa Valley Club whose principal objective is the enactment of Par Clearance.

After several amendments were offered and many parliamentary moves made to side-track it, the bill came up in its original form in the State Senate May 24.

WITH REGRET

We announce the passing of these members of the Association:

Mr. H. D. Sabel, Battery Mfg. Co., Louisville, Ky. . . . **C. N. Anawalt**, Chas. R. Long, Jr. Company, Louisville, Ky. . . . **J. K. Guetig**, The Pyne Co., Louisville, Ky. . . . **Howard Swikert**, The H. Swikert Company, Inc., Louisville, Ky. . . . **Walter B. Brown**, Victor Chemical Works, Chicago, Ill. . . . **Jack Tinkham**, Merchants Biscuit Co., Omaha, Nebr. . . . **J. Wm. Wick**, The Fietzner Co., Milwaukee, Wis. . . . **Albin E. Wickstrom**, Carl A. Anderson, Inc., Omaha, Nebr. . . . **Erle F. Bender**, S. A. Maxwell Co., Chicago, Ill. . . . **Henry G. Hinchcliffe**, Defender Mfg. Co., New York, N. Y. . . . **T. G. Councilor**, Copperwald Steel Co., Glassport, Pa. . . . **Martin L. Schmidt**, Coca Cola Bottling Co., Louisville, Ky. . . . **Frank H. Kidd**, Graham-Brown Shoe Co., Dallas, Texas . . . **Thomas J. Jarman**, Farwell Ozmun, Kirk & Co., St. Paul, Minn., President of the St. Paul Association of Credit Men 1921-1922 . . . **J. Wm. Wick**, The Fietzner Co., Milwaukee, Wis. . . . **H. L. Minsker**, C. H. Miller Hardware Co., Huntingdon, Pa. . . . **Herbert H. Duhy**, Item Company, Ltd., New Orleans, La. . . . **M. G. A. Du Buisson**, Tacoma Drug Co., Tacoma, Wash. . . . **Irving W. Kurtz**, Blue Line Chemical Co., St. Louis, Mo. . . . **Frank H. Robinson**, Frank Robinson Co., Pittsburgh, Pa. . . . **T. A. Breen**, Vulcan Corp., Cincinnati, Ohio . . . **Herman M. Kessing**, Chas. B. Kessing's Sons Co., Cincinnati, Ohio . . . **Wallis Slater**, Sterling & Welch Co., Inc., Cleveland, Ohio.

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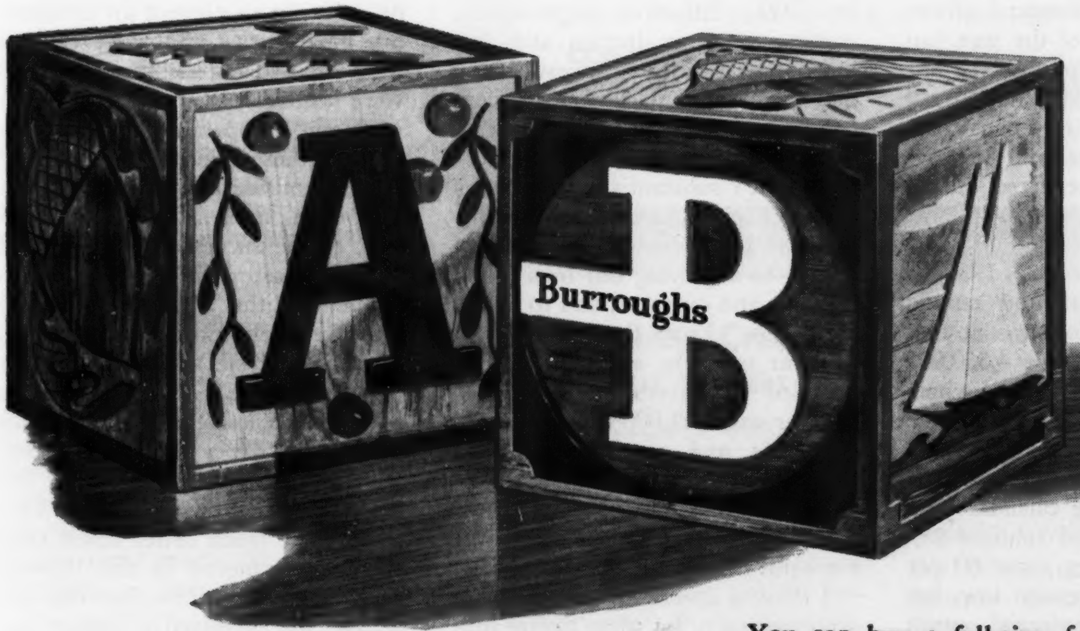

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CANADIAN BUSINESS, 1939—19??

by GRAHAM TOWERS
Governor of the Bank of Canada

IN choosing the title for this article —"Canadian Business, 1939-19??"—I did not have in mind giving a detailed analysis of Canadian economic and financial affairs since the beginning of the war, but I did feel that an appraisal of our present situation could be made most effectively by taking into consideration the major changes and developments which have occurred during the last ten years.

LET me take September, 1939, as the starting point, and remind you what our position was at that time. There were about 4,350,000 people in the labour force, of whom perhaps 500,000 were unemployed. The number of men in the armed services was very small. Gross national output for the calendar year 1939 had an estimated value of $5,600 millions, a figure some 60 per cent above the depression low, but still far below our potential output as later events were to prove.

With the commencement of the war, the picture started to change. First gradually, later on rapidly, the unemployed were drawn into productive activities, and the labour force expanded not only by the growth of our population but also by the recruitment of large numbers of women who would probably not have sought employment in peace-time, and by the continued employment of older men. The armed forces increased rapidly, and by 1944 numbered nearly 800,000. Because of this movement into the armed services, the net increase in the civilian labour force between 1939 and 1944 was only 2 per cent, but the volume of its production, and I underline the word "volume", was estimated to be over 40 per cent greater than in 1939. Effective organization, continuity of production and, last but not least, a heavy investment in new plant and machinery all contributed to this remarkable result.

A VERY substantial proportion of the great increase in production had to be devoted to war purposes—to supplying our own forces at home and overseas, and to aiding our Allies. From the beginning of the war until the end of 1945, we supplied our overseas partners in the war with $11,000 millions worth of goods and services. Of this amount, some $3,200 millions represented contributions under the Mutual Aid arrangement which was the equivalent of U. S. Lend-Lease.

I think a country which then had a population of less than twelve millions can take some pride in this accomplishment. It was not achieved without difficulty. Taxes had to be raised to very high levels, and the public was constantly urged to save as large a proportion of their income as they could possibly manage to put aside. The policies in these fields reflected the fact that such a large proportion of our production was set aside for war use that there were not enough things on which the civilian population could spend all their income without driving prices through the roof.

An address given at the North-West Credit Conference, Thursday, March 17th, 1949, in the Hotel Vancouver, Vancouver, B. C.

When it was evident that neither taxation nor voluntary saving would be sufficient to prevent an inflationary move, price and wage ceilings were imposed and a number of things were rationed. With the public support and co-operation which were given to these policies, they operated with a considerable degree of success, owing in no small part, I might add, to the success which attended similar measures in the U. S. The result was that the country came into the early post-war period in good shape from an economic point of view. In the middle of 1946, the index of wholesale prices showed an increase of 51 per cent as compared with pre-war, while the cost of living index was up 23 per cent. This was a very much better result than had been achieved in the 1914-19 period, in spite of the fact that the second war involved a longer and much more intense effort on the part of Canada than the first one had done. Occasionally, and even in the grim business of war, we profit from experience.

LET me turn now to developments since 1945. At the end of the war, there had been some fear that the reconversion period would be marked by temporary unemployment, not because of lack of work to be done, but because of the difficulties involved in shifting two million men and women from the armed forces and production of war materials to the provision of civilian goods and services. This was a very

formidable number in relation to the total labour force of slightly more than five millions.

In the event, the change-over took place remarkably smoothly; and at no time since the war's end has there been serious unemployment in the country as a whole. Two major problems which faced Canada in these years were—

(1) The maintenance of our all-important export trade at a high level in spite of the bad situation of many of our overseas customers.

(2) Shortage of U. S. dollars.

In considering the maintenance of our export trade, let me remind you that it normally accounts for about 20-25 per cent of our total production. We have never had prosperity in Canada without a high level of exports. It was therefore a matter of great practical concern to Canada that our most important customers had suffered very heavily from the war.

In those which had been occupied, production was at a desperately low level and could only recover over a period of years. In the United Kingdom production for export had been all but discontinued in order that the maximum possible amount of labour and materials could be devoted to winning the war. Moreover, the U. K. had lost a large part of her earnings from foreign investments in the process of paying for food and war supplies in the period before Mutual Aid and Lend-Lease came into operation.

All these countries desperately needed food, raw materials and other things from Canada. They could not get back on their feet without aid from countries whose productive capacity had not been injured by war. It was very much in our interest, commercially as well as politically, that these countries should regain their strength. With these facts in mind, the Parliament of Canada authorized large loans to the U. K. and Western European countries in 1946, and the U. S. Congress did the same thing. Canadian loan disbursements and relief grants in the years 1946 to 1948 amounted to $1,600 millions; those in the U. S. to $15,700 millions.

SPACE does not permit me to mention all the other arrangements which were made towards the

end of the war, or in the early post-war period, to facilitate the restoration of a high level of international trade. Suffice it to say that the problem was attacked on a broad front, and that the actions taken were on a scale and of a kind which represented a vast improvement over the policies followed subsequent to the 1914-18 conflict, just as Mutual Aid and Lend-Lease were more realistic than the war loans made on the earlier occasion.

It comparatively soon became apparent, however, that the programme of assistance was inadequate for the purpose, i.e., the restoration of functioning economies in the United Kingdom and Western Europe at levels which would give some hope of political as well as economic stability. The problems left as a legacy of the last war made those of 1919 look almost trivial by comparison. The degree of destruction and dislocation around the world was much greater. More important, the anatomy of Europe was sliced up by the lowering of the so-called Iron Curtain, and the dismemberment of Germany. To a considerable extent, the task turned out to be one of remaking a large portion of the continent, rather than restoring its previous characteristics and reopening accustomed channels of trade. This may well be the work of a generation or more, rather than of a decade. And there is the further most important factor that this task must be accomplished in the face of efforts by one country to impede progress in every possible way. Fear is a great deterrent to recovery; and Europe is beset by fear.

The need for further aid on a tremendous scale was recognized early in 1947. The form which this aid might take was outlined by General Marshall in June of that year, and embodied in the European Recovery Programme adopted by the U. S. Congress in April, 1948. The sums allotted to European countries in the first year of operation of the Plan, that is, April 1948 to March 1949, have been $4,900 millions. It is no exaggeration to say that this assistance has prevented not only a breakdown in the recipient countries, but also, by its indirect effects, a most serious upset in a great many other countries around the world. And I include Canada in this list.

IT is perhaps not inappropriate at this point to turn to the second Canadian problem which I mentioned a few minutes ago—our U. S. dollar problem. By reason of the character of Canadian production—by reason, in other words, of the structure of the Canadian economy built up over generations—it is normal for us to have a surplus in our trade with the United Kingdom and Western Europe, and a deficit in our trade with the United States. We used to be able freely to convert our surplus earnings of pounds sterling and continental currencies into U. S. dollars, and thus pay our bills in the U. S. When our overseas customers are no longer able to settle their accounts with us in that way, because they have run out of foreign exchange reserves and have inadequate U. S. dollar earnings from exports, trouble comes to Canada in the form of a shortage of U. S. dollars or loss of markets, or both.

For obvious reasons, we ran into difficulties of this kind early in 1941. At that time, however, we were able to make an arrangement in terms of which the U. S. Government undertook to buy from Canada substantial amounts of war supplies which would not have flowed to the U. S. through the ordinary commercial channels of trade. These were extra purchases by the United States, and they took place to the extent of one billion dollars before this kind of purchasing ceased in 1945. It was only in this way that Canada could earn enough U. S. dollars to purchase war supplies and other necessities from the United States.

HERE let me emphasize an important point. Canada is not lacking in productive capacity. We did not need nor did we receive Lend-Lease assistance. Provided we were able to import and pay for, say, twenty cents worth of essential materials or parts from the United States (and I use this figure only as an illustration) we could turn out a dollar's worth of finished goods. But without those materials or parts, much of our machinery would cease to work, and to that extent our productive capacity would go to waste. It may be added that peace does not change the situation in this respect. The war-time arrangement with the United States was an essential factor in enabling us to supply our Allies with $11,000 millions of supplies during the war, and thus make an important contribution to victory.

It was by means of the Hyde Park Agreement that the threatened U. S. dollar crisis of 1941 was overcome. The problem returned to plague us in 1947. Again it did not arise from any lack of productivity in Canada. Our current account transactions with the rest of othe world in 1947 produced a small surplus for Canada in spite of the fact that our imports from the U. S. that year reached the hitherto unprecedented level of nearly $2,000 millions. In times past, when a very substantial amount of capital development was taking place in this country, we usually had an over-all deficit in our international transactions on current account which was covered by investment from abroad. In 1947, however, we would have been able to pay our way if our overseas customers had been in a position to pay cash for all their imports from Canada.

Actually, Canada extended $600 millions of relief and credit in that year. For that much of our exports we received no immediate payment. But we had to pay cash for all our imports. The result was that our reserves of gold and U. S. dollars were very seriously depleted, and import and other restrictions designed to reduce the demand for U. S. dollars were introduced in November of 1947. From that time on, Canada's exchange position improved. Indeed, from most points of view, 1948 turned out to be a most successful and fortunate year for this country.

A WHOLE array of figures could be brought forward to support this statement, but I shall mention only a few. The export figures are amongst the most significant. Our sales to the United States increased in value by 45 per cent as compared with 1947, and our trade deficit with our neighbours to the south was reduced from about $900 millions to a little less than $300 millions. The surplus in our current account transactions with all countries increased from $85 millions in 1947 to $472 millions last year; and as our direct extension of relief and credit to other countries was limited —unavoidably limited, in the circumstances—to $145 millions (net) our

reserves of gold and U. S. dollars increased by $346 millions, plus $150 millions borrowed in the United States during the year. At the end of the year, holdings of gold and $3,000 millions which it was estimated was spent for these purposes, served to increase our productive U. S. dollars amounted to nearly one billion dollars.

During 1948, capital development continued on a grand scale. The capacity, helping not only to relieve domestic shortages but also to increase our present or prospective ability to earn U. S. dollars or to lessen our need for that currency. Oil developments in Alberta are a case in point.

It is true that not every aspect of the Canadian picture was rosy. The cost of living index went up by 8 per cent during 1948, and cost of construction, already relatively high, experienced a further upward move. By the end of the year, however, there was evidence of a lessening of inflationary pressures as supply and demand came into better balance in a number of lines.

Let me quote a few more figures to remind you of the development which has taken place in Canada since we last experienced peace-time prosperity and full employment. I will compare the years 1928-29, taken together, with the years 1947-48 taken together. Between these two periods, the volume of our over-all output is estimated to have increased by more than two-thirds, although during that time the population increase was only 28 per cent. I wish that I could cite statistics to show that during these twenty years our dependence on foreign trade has lessened materially. The truth of the matter is that it has not done so. Hence our preoccupation with international trade.

WHAT of the future? I do not propose to enter the decimated ranks of the forecasters. I recall the sad fate of the political prophets in the United States last November, and I have also been reading recently business forecasts which were made by most reliable authorities on various occasions from 1920 onwards. The score is very low. I think it worth while, however, to take a look at some of the salient features of the Canadian situation.

One of them is the changed situation of a number of our important and traditional customers. Up to now, this has not prevented the maintenance of a high level of prosperity in Canada. The various means by which difficulties have been avoided or overcome have been indicated earlier in my remarks.

How long this course can be maintained is obviously the $64 question. We cannot hope that Europe's difficulties are going to disappear over-night. I suggested earlier that the recasting of Europe may be the work of a generation unless the political atmosphere changes for the better. Most of these countries have been receiving ERP aid. At the same time, they have been urged to initiate programs which will eliminate or greatly reduce their dollar deficits by 1952. There are various ways in which this goal can be reached. The countries concerned can reduce imports, or shift their purchases from dollar sources to non-dollar countries. The most constructive line consists in the attempts which they are making to increase their exports to dollar countries, but a long way remains to be travelled yet.

SO far, the countries receiving ERP aid, and the currency areas associated with them, (which include the whole of the sterling area) seem to be relying very heavily on the curtailment of imports from dollar countries as the method of reducing and ultimately eliminating the deficit in their dollar accounts.

To an increasing extent, imports requiring dollar outlays are permitted only if they meet two conditions—first, that they are essential, and second, that they are not obtainable elsewhere than in the dollar area. At the same time, the countries within the group have taken special steps to develop trade with each other.

As part of the ECA arrangements, for example, the participating countries have agreed (in return for equivalent aid from the United States), to extend grants to each other to an amount of $810 millions this year. In addition to a net contribution of $280 millions under this arrangement, the United Kingdom has agreed to make unrequited exports of about $200 millions to other participating countries by authorizing a drawing down of blocked sterling balances to this extent. And apart from these purely financial techniques for developing trade within the sterling area—ERP group of countries, and between these countries and other non-dollar countries, other more direct methods have been extensively used. I refer to bilateral trade deals about which I shall have something to say in a moment.

DEVELOPMENTS along the lines I have been talking about have already had an adverse effect on certain Canadian exports, particularly of manufactured goods and non-staple foodstuffs. Foreign import and exchange restrictions have borne heavily on these lines during the past year. The restrictions have also, of course, been applied to similar exports from the United States. Up to the present, this appears to have occasioned no particular difficulty in the U. S. as the ECA has welcomed the reduction in the dollar deficit apparently achieved by these practices, and United States producers have, broadly speaking, not been confronted with serious marketing problems.

One must, of course, recognize that the ERP-sterling area countries are confronted with very special dollar problems and that until their economies are restored from the effects of the war, and their balance of payments brought into a reasonable equilibrium, the normal trading rules—such as non-discrimination and currency convertibility—may not be fully applicable.

What one would like to be convinced of is that the trading methods now being adopted will not unduly prolong the period during which reliance has to be placed on restrictions and discrimination. Some at least of these methods seem to point in the opposite direction. Importers in the countries concerned buy from non-dollar countries, even when they have to pay higher prices, because they are not allowed access to cheaper sources of supply, or that access is strictly limited as to quantity. Conversely, exporters can often get higher prices by exporting to others in the group than by exporting to dollar countries.

The effect of trade within the protected area taking place at higher prices means that the normal tests of competitive capacity are suspended. This inevitably tends to distort the normal channels of trade, and may very well impair the true productivity of the countries forming the area, as well as their competitive ability to earn dollars. The division of the western world into two trading blocs has possible political and economic consequences which are not pleasant to contemplate.

TO some extent, this division is already in effect—as Canada has reason to know. If the problems arising from this situation become more serious as time goes on, what courses of action are open to countries such as Canada?

In considering the possible answers to that question, we can be certain of one thing, namely that there is no easy financial device by which the difficulties can be overcome. A country whose traditional customers can no longer make purchases in their accustomed volume can try to find alternative markets for its goods. It may also try to employ in domestic activities the labour and materials which the export trade can no longer use. It can, of course, help its traditional customers to obtain their supplies by extending loans or making gifts. While such a policy may be a sensible one in a

period of reconstruction, it can hardly be regarded as a permanent solution of the problem.

Finally, lacking other alternatives, countries in the position I have been discussing may feel impelled to adopt special measures to facilitate trade. In some cases, these measures may take the form of the so-called bilateral trade deals which have become so common.

These deals in their modern pattern are not normally operated on the basis of bartering one commodity for another. It is customary to name a number of things which one country will sell to the other. In some cases, target figures are set, both in respect of quantities of specific articles and the over-all value of trade which it is hoped will be done. The actual results, however, depend in the main on purchases and sales through normal commercial channels, except in the case of the totalitarian states. But the vital feature of these arrangements is that the parties to them, by restricting or even prohibiting importations from other countries—or at least from countries outside the group—make it more likely that they will achieve the targets set for trade between each other. The element of outside competition is removed or lessened. Price and quality are no longer the final determinants of the course of trade. The policies followed are such as to make classical economists turn in their graves. But the usual answer to any criticism of these methods is that there are no alternatives.

IN these remarks I have not intended to be critical of other countries, or pessimistic in regard to our own situation. So far as Canada is concerned, I have painted the picture of a country which has made great strides during the last ten years, with the result that the volume of production and the standard of living of its people are higher than ever before.

The quality of our population, and the character of our resources, are sound justification for an optimistic view of Canada's future. We cannot forget, however, that in the short run at least we are highly vulnerable to outside influences; and we are living in the aftermath of an extraordinarily destructive war. It is important, therefore, that we should understand the developments which are taking place around the world. Understanding will lead us to the conclusion that all efforts should be directed towards the maintenance of international transactions at a high level.

We on this side of the dollar fence (and I am not talking about Canada only) have responsibilities in this connection as well as the ERP-sterling area countries. One such responsibility is to see that imports from these countries are encouraged as much as it is possible to do so. The United States alone is in a position of such unassailable international liquidity that it can afford to be undeterred by balance of payments considerations. But all of us, to the full extent of our powers, should guard against the mentality of restriction and contraction, and should seek that greater wealth and greater development which come from enterprise and expansion.

Prices Still Crucial Factor, Inventories Decline, New York-Chicago-Los Angeles Credit Survey Shows

CUSTOMER resistance to high prices continues to hold the lid down on sales. This price barrier between consumer and product remains even though another major headache, inventories, are receding to more normal levels. These facts were brought out by a "How's Business?" survey simultaneously conducted among the members of the New York Credit Men's Association, the Chicago Association of Credit Men and the Los Angeles Credit Managers' Association. Responses to the questionnaire were received from approximately 20% of the combined total membership of 6,750 executives in these three organizations.

Analysis of the survey returns received in the three nerve centers of business revealed that the principal concern of credit executives are collections, business failures and unbalanced inventories. Many were convinced that today's buyer's market, with its resultant sales pressures, called for even closer and more careful analysis of accounts by the credit department. Stiff competition, the proper handling of marginal risks, credit controls, maintenance of sound customer relations in the face of more stringent credit operations, the squeeze between high break-even points and lowered prices—these are now major considerations among credit and financial executives. There is, too, the tremendous responsibility of convincing customers that they must adjust their operations to present-day conditions.

An impressive 86% of the executives participating in the survey stated that there is today customer resistance to high prices. In a similar survey conducted late last year, only 77% expressed this conviction.

A somewhat brighter view was held by these executives on the subject of inventories. With the exception of the textile industry—which represented about 31% of the responses received in New York City—the majority of executives answering the questionnaire saw their customers' inventories as either back to normal or even low. Statistically, 36% of the respondents considered inventories to be normal, 22% estimated them to be low, while 42% thought inventories were still heavy. When those "normal" and "low" inventories percentages are combined, they add up to the fact that 58% or a majority of the executives participating in the survey considered inventories either normal or even low, compared with a minority of 42% who still viewed inventories as being heavy.

Increased Failures

The situation on business failures continues to be dreary. Almost 63% of the executives responding to the "How's Business?" survey indicated that business failures in the past six months had increased over those for the previous six-month period. This gloomy state of affairs finds no consolation in the fact that only 54% of those executives participating in last winter's survey believed failures had increased.

Time and again, respondents attributed the continuing upswing in failures to the weeding-out process in which inexperienced "war babies" found the pace of postwar competition too tough. That this process of elimination was likely to continue was forecast by 56% of the executives, who stated that they expected increased failures during the next six months. Only 3% were optimistic enough to look for fewer failures while the remaining 41% hoped there would be no appreciable change in the coming six months.

Collections Slower

Compared with the previous six-month period, 66% of the executives taking part in the survey noted that collections during the past six months had been slower. Only 5% thought collections had improved while the remaining 29% considered there had been no appreciable change. In the previous survey, slower collections had been reported by 60% of the participants, with 10% noting an improvement and the remaining 30% seeing no change.

Cancellations

Another phase of doing business which has occupied the attention of these credit, financial and business executives is cancellation of future orders. As high as 39% of those taking part in the survey reported cancellations, compared with 29% in the previous survey. Again, only 7% reported larger orders and larger future commitments than six months ago, compared with 18% in the late 1948 survey. Finally, 24% reported unfilled backlogs of orders, compared with 45% in the previous survey.

Employment

Approximately 89% of those responding to the questionnaire reported that their firms' credit and collection departments were employing as many workers today as were on the payrolls a year ago. Increased staffs were noted by about 8%. Combining both these percentages reveals that in 97% of the firms represented, personnel had been retained or even increased. Less than 3% reported reductions in personnel.

Breakdowns by Cities

Turning now to the individual

percentages, there was virtually unanimity among all executives on the point of customer resistance to prices. In New York, 88% agreed that there was resistance, compared with 85% in both Chicago and Los Angeles.

Insofar as inventories were concerned, New York—where the textile influence is pronounced—was still slightly more satisfied than either Chicago or Los Angeles. Normal inventories were noted by 37% of the New York executives, compared with 36% in Los Angeles and 35% in Chicago. The vote for low inventories was 30% in Los Angeles, 20% in New York and 16% in Chicago.

Textiles Influence New York Returns

Approximately 31% of the New York returns in the survey were received from executives in a number of trades which are integrated in one form or another with the textile industry. As high as 74% of the New York textile respondents noted that there had been increased business failures in their trades during the past six months over the previous period. More than 50% anticipated that there would be a continuation of this trend.

Slower collections were reported by 68% of these New York textile executives, while as high as 95% reported customer resistance to prices. Cancellations were noted by 42% and unfilled backlogs of orders by only 4%.

Heavy inventories were reported by 55% of the textile respondents in New York, but 28% thought inventories were normal and the remaining 17% viewed them as low.

Failures Pattern

More failures in the future were anticipated by 66% of all New York respondents, compared with 52% of the Chicago and 50% of the Los Angeles executives. No appreciable change was expected by 32% of the New York, 45% of both the Chicago and the Los Angeles respondents.

On collections, 65% of the Chicago executives reported slower payments, compared with 71% of the New York and 62% of the Los Angeles replies. Improvement in collections was noted by only 3% in New York, 5% in Chicago and 8% in Los Angeles.

Cancellations of future orders were reported by 44% of the Chicago respondents, compared with 39% in New York and 34% in Los Angeles. Unfilled backlogs still kept Chicago busy, with 33% of the Windy City's respondents reporting backlogs, compared with 21% for Los Angeles and 16% for New York. Size of orders has clearly diminished, according to 94% of the Chicago, 91% of the New York and 87% of the Los Angeles respondents who noted that orders (units) and future commitments were smaller during the past six months than for the corresponding period.

Among the industries represented in the New York area were, in addition to textiles, advertising agencies, banks and factors, building materials, floor-coverings, food and liquor, paints and allied products, paper, printers and publishers, petroleum products, plastics and chemicals, radio and electrical appliances, shoes and leather products.

HEIMANN

(*Continued from Page 7*)

of a competitive free economy is not only used consistently to prime the socialistic pump, but it is a necessity to keep it pumping. The promises we live by are important. False promises can and do weaken nations. The promises of a socialistic government aren't worth the paper they are written on if they couldn't rely on help from capitalistic or competitive free enterprise nations.

We are being promised security from the cradle to the grave. By whom? By the government. How does the government intend to pay for this? By taxing its people and thus making them more insecure. We have reached the point in this nation now when people have decided not to put forth the extra effort — that added incentive that made our nation great. And why have they decided not to do so? Because the government will take the cream of their crop and every added dollar they make will be garnered by the government.

HOW can the government promise cradle to the grave security when it knows the only real security is that which people earn? It was Lincoln who said "You cannot keep out of trouble by spending more than you earn." And what is the effect of all these plans? It is very simple. It in time will tear down the nation and make a representative form of government a mockery. It will transform a whole nation of thrifty industrious people into the world's largest group of mendicants. It will survive only so long as it has the stored credit of an industrious people who have gone before us to rely upon, or so long as competitive free enterprise will continue to supply the fuel to stoke the socialistic boiler. In either case, the experiment may be of short duration, but the consequences may last a century.

The whole objective of the world is peace. Much has been said and written about it.

We have promised our people that everything we are doing is in the interest of peace. We sincerely believe it to be so. But have we said anything to our people about the fact that if peace came tomorrow, it would not be without its problems? If over night we could have a peaceful world, everybody would welcome it. It would be a Lord's Blessing. But temporarily there would be quite a readjustment and it would not be easy to go through. It would be so worth while that heaven knows everybody hopes it comes because no suffering is too great for a real peace. But when you eliminate your armament expenditures and your big Federal budget for your world aid programs, you would have a readjustment that would bring about some unemployment and quite a bit of hardship. These sufferings would be temporary and well worth while; but if they should come, then over the longer range period of time, the nation would really move forward on a sound basis. Isn't it more honest when we promise peace by the various programs we have, to tell our people at the same time there is a price for peace that must be paid. That price, however, is such a bargain compared to our present economy that it is well worth while. If our people know these facts, they will cooperate much better and we will avoid much social unrest.

OUR forefathers chafed under a managed economy. They knew the limitations of opportunity in a regimented state. They could see the effect of a militarily controlled nation. It took great courage for them to strike out for pioneer country. They knew it meant sacrifice and hardships and long and tedious hours of labor, lonesomeness, sickness and disease. But they had the courage to attempt it and they made world history in the establishment of a nation that gave man the greatest opportunity, fullest freedom, most real security and highest standard of living the world has ever known. They wanted to get away from the old countries where they had but limited opportunity at best. They wished to escape class prejudice and class limitations of opportunity. It is tragic comment on the descendants of these hardy pioneers that they are planning or acquiescing in a form of government their forefathers risked their lives to escape. Our government already at the highest break even point of any nation in world's history, now owing a debt twice the size of all that of Europe, had better take heed before we lose that priceless heritage of a representative form of government.

Men and women live by promises —promises that are performed. The highest mark of civilized man is to have it said of him that his word is as good as his bond. You who are engaged in the field of credit are charged with the responsibility of seeing that promises are kept. You analyze your accounts to evaluate the sincerity of promise by performance. If you will clearly understand that an insistence on a respect for a promise and a courageous fight to see that promises are fulfilled is important, you will be contributing greatly to the struggle of your fellow men and your nation. Somewhere, somehow, there must be a halt to broken and false promises unless we are to return to the dark ages.

DESPITE what some people tell you, we have today many statesmen who are keenly aware of the crisis we face. They are statesmen equal to the best in our history. They are men who have kept their promises faithfully and who have continually insisted their government do so. We should uphold them and strengthen their hands.

Credit executives have never dodged facts. Above all else, they must be realistic. If a problem is a difficult one, they recognize it for what it is and proceed cautiously and constructively towards its solution. They know the great potentialities of our nation. They realize that we have in the past faced many crises and that on each occasion, we have met these situations and moved on to further progress. However, they also realize that in these situations, people were not afraid of the facts. Knowing the facts, they were stirred to action. That is why I feel justified in presenting the matter as I do.

You too in your own daily work can be a statesman, for remember, you as a group have, next to the government, the greatest responsibility of any group in the United States to see that promises are lived up to. Have the courage to measure up to your task. A promise made good is like a prayer—it strengthens the soul of men and restores faith in mankind. It is and will always be the hub of the wheel of civilization and the Gateway of Peace. It is in keeping with all the religious precepts God has given us.

Confidentially Speaking

Mr. John Botch, Jr. has succeeded Harry Abhan as Credit Manager, Diamond Steel Construction Co., Youngstown . . . **Charles B. Shelley,** Wm. S. Scull Company, Camden, N. J. has retired . . . **Walter Kunau** succeeds M. F. Cravens, deceased, as Credit Manager, Field Packing Co., Owensboro, Ky. . . . **Val C. Schmidt,** Grand Rapids Cabinet Co., has been elected President of the local Chapter of the National Association of Cost Accountants . . . **Lennis Laughlin,** Foxbilt Feeds, Inc., Des Moines, is back at his desk after hospitalization due to knee injury in recent automobile accident . . . **Bernard D. Kurtz** has been elected to the Board of Directors of The Iowa-Des Moines National Bank, Des Moines, Iowa . . . **Ben Stauffacher,** Westinghouse Electric Supply Co., Rochester, is back at his desk after a serious operation.

Announcement is made that **Charles W. Ladow** is now Credit Manager for F. C. Huych & Sons, Inc., Rensselaer, N. Y. . . . **James F. Evans, Jr.** is now handling credits for Albany Felt Company, Inc., Albany . . . **W. R. Blevins** succeeds J. F. Mowrey in charge of credits for McKesson-Duff Drug Co., Chattanooga . . . **W. A. Lindgren** is looking after credits for Land O'Lakes Creameries, Inc., Boston . . . **Jerry Peverley,** formerly Assistant Credit Manager, Los Angeles Brewing Co., is now Credit Manager, Don W. Snyder Co., Los Angeles . . . **W. R. Beardsley,** Tilden Produce Co., St. Paul, Minn. and Past-President, St. Paul Assn. Credit Men (1929) has retired . . . **Ray W. Rowney,** Treasurer, Sawhill Mfg. Co., Sharon, Pa., has been elected a Director of Mercer Tube & Mfg. Co., also of Sharon . . . **J. C. Robertson** is now Credit Manager at General Electric Supply Corp., St. Paul . . . **W. M. Mahaney** is now Credit Manager at Socony-Vacuum Oil Co., Aberdeen, S. D.

CLEVELAND CHANGES—**E. C. Kucera** succeeds A. P. Shively as Credit Manager at Canfield Oil Co. . . . **J. D. Degnan** is now directing the Credit Department at Westinghouse Electric Supply Co. . . . **Thomas S. Bell,** Treasurer, Bonnie Bell, Inc., adds direction of Credit Department to his responsibilities . . . **Harold F. Barbre** succeeds J. A. Cowan as Credit Manager at Warren Refining & Chemical Co. . . . **Robert Risberg** is Credit Manager at Crawford Door Sales Co. . . . **Fred Luehrs** succeeds L. E. Riedmaier as Credit Manager at Stanley Marks Tractor Co. . . . **B. L. Shimberg** succeeds H. T. Staudt as Credit Manager at Nottingham Steel Co. . . . **C. F. Nickenig** replaces J. D. Degnan at Western Reserve Distributors . . . **Robert L. Purcell** is now Credit Manager at The Hickok Electrical Instrument Co.

Mr. G. W. Warwick succeeds O. B. Anderson as Credit Manager, Hills Bros. Coffee, Inc., Denver . . . **Miss Stella Grogan** is now handling credits for Industrial Chemical Laboratory, Omaha . . . **Wm. H. Acton, Jr.** has succeeded G. V. Headrick in credits at Sherwin-Williams Co., Chattanooga . . . Frances H. Leggett & Co., Boston, announces **Forrest L. Marsh** now in charge of credits . . . **John R. Bartizal,** Treasurer, has been elected Vice-President of the Clearing Machine Corp., Chicago . . . **John J. Ryan** is the new Credit Manager at Mills Industries, Inc., Chicago, succeeding Pat Tennis, who is engaging in the retail hardware business at Fort Atchinson, Wis. . . . **Miss Edith Raber,** The Hubinger Co., Keokuk, Iowa, was recently married, now Mrs. Lillis . . . **Carl Dwight,** Schramm & Schmieg Co., Burlington, Iowa, recently underwent another operation at Rochester, Minn.

DETROIT CHANGES—**Robert J. Lakatos** replaces Daniel Cental as Credit Manager at Modern Corp. . . . **H. M. Grinager** succeeds Howard Godfrey, retired, as Credit Manager of J. L. Hudson Company . . . **Chas. S. Fisher,** owner, now represents Goodspeed-Detroit Company . . . **Wm. D. Stockard** succeeds S. A. Gregoire, resigned, as Credit Manager at Henkel Flour Mill Div. of International Milling Co. . . . **A. G. Conklin** now represents The American Blower Corp. . . . **Deane H. Wilson,** formerly with American Blower Corp., is now Credit Manager at Evans Products Co., Plymouth . . . **Herbert G. Blumberg** is now Credit Manager at Cadillac Electric Supply C., Detroit . . . **William Scott** now devotes his time to production at Arrow Mfg. Co., while **Wm. Pankratz, Jr.** takes over Credits . . . **Edwin Uphaus** has taken over Credit Management at Bowen Products Corp., succeeding L. D. McKee, now Credit Manager at Moynahan Bronze Co.

Mr. T. H. Morris has succeeded Geo. Money as Credit Manager at Milwaukee Plywood Co., Milwaukee . . . **W. H. King** is now Credit Manager at Walter Slagle & Co., Denver . . . **R. A. Vorderman** has taken over Credit Management at Pittsburgh Plate Glass Co., Akron, succeeding J. Boback, now transferred to traveling auditor . . . **Don W. Swanson** succeeds J. A. Wilson as Credit Manager at General Electric Supply Corp., Denver . . . **Marvin E. Rodgers** succeeds G. L. Wild, resigned, as Credit Manager at Gaylord Container Corp., Milwaukee . . . **Ellis Slatoff,** former Controller, has been elected Secretary and Treasurer of American Molasses Co., New York City . . . **Ray Ronk,** Secretary, is now supervising Credits at Gagnon Clay Products Co., Green Bay, Wis. . . . **Francis B. Smith,** Massachusetts Wharf Coal Co., Boston, was recently elected Vice President and reelected Treasurer of his company . . . **William G. Callies,** Modern Screw Products Co., St. Louis, was recently elected Chairman of the American Society of Tool Engineers . . . **Robert Oplas** is now Credit Manager at Gulf Refining Co., Lexington, Ky.

Meetings, Elections, This and That

Cincinnati's luncheon club poses for a picture during a recent meeting.

Cincinnati: The Cincinnati Association of Credit Men has elected Ralph G. Holste, Central Trust Co., as the new President. Charles W. Dickhaur, Hyde Park Clothes, Inc., and Paul Cutshall, Southwestern Publishing Co., are Vice-President. Charles M. Grimm, Pollak Steel Co., is Treasurer, and L. J. Gruber, Central Carton Co., Councillor.

Pittsburgh: Herbert Johnson, Assistant to Vice-President, Jones & Laughlin Steel Corp., told the members of the Credo luncheon club on May 24 of the effect of the basing point decision by the Supreme Court on industry in Pittsburgh. Mr. Johnson recently appeared at a Senate Committee hearing on the bill to provide a two-year moratorium on outlawing basing point practices. He gave the Pittsburgh credit executives an interesting picture of what this new decision means to the steel industry.

Milwaukee: Charles F. Jones, Marine National Exchange Bank, is the newly elected president of the Milwaukee Association of Credit Men; Howard Hartman of the L. J. Mueller Furnace Co., Vice-President, and T. C. Turner of the Phoenix Hosiery Co. is the Treasurer.

New York: A special luncheon in honor of those members of the New York Credit Men's Association who have sponsored new members during the past year was held on May 10 at the Waldorf Astoria. These 150 members have been responsible for the consistent gain by the Association, which records 407 new applications for membership during the last 18 months.

Pittsburgh: The Credit Association of Western Pennsylvania, with headquarters at Pittsburgh, celebrated its 53rd birthday at the Hotel Schenley, on Tuesday, May 3. Dr. John Hutcheson, director of the Westinghouse research laboratories, made an address on peacetime atomic energy. Six members were elected to the board of directors.

On May 10 the board held its annual organization meeting and elected Ivan L. Hillman, Dravo Corporation, President. Other officers elected were J. S. Nichol, Harris Pump & Supply Co., 1st Vice-President; Fred T. Menges, Fairmont Foods Co., 2nd Vice-President, and W. T. McCullough, Jr., the W. T. McCullough Electric Co., Treasurer.

Kansas City: Glen Gilman, who has served as credit manager for Colgate-Palmolive-Peet Co. in the Kansas City area, has been promoted to the position of office manager in this office. He is succeeded by Burt Holliday from Jersey City. Mr. Gilman has served as president, vice-president, and second vice-president of the Kansas City Association. His many friends on this side of the Missouri River will wish him success in his new position.

Boston: The Boston Credit Men's Association has elected James N. Jones, Decatur & Hopkins Co., as President for the 1949-1950 season. Also elected were William C. Hall, Sylvania Electric Products, Inc., 1st Vice-President; Ralph H. Mullane, Liberty Mutual Insurance Co., 2nd Vice-President, and Kenneth G. MacKay, Gulf Oil Corp., Treasurer.

Five past presidents were honored at the annual meeting and past presidents' night at which the speaker was Past National President Charles E. Fernald. He spoke on the National Association and its activities.

Des Moines: Members and guests of the Central Iowa Unit enjoyed their annual May party on May 17 at Riverview Park. The program consisted of a chicken dinner, dancing and cards.

H. R. Bunger, Iowa Packing Co., was recently elected President of the Association. George Metcalf, L. H. Kurtz Co., is Vice-President. Don E. Neiman was re-elected Secretary-Treasurer

New Haven: The 32nd Annual State Conference of the Connecticut Association of Credit Men will be held at the Racebrook Country Club, Orange, Conn., on Tuesday, June 21st. At press time the program had not been completed.

Houston: Ben H. Erwin, Mosher Steel Co., died May 13. He was a past President of the Houston Association and an active member of the Association for a long period of years.

Louisville Has Its Own Songsters

Louisville: At the Spring Dinner Meeting of the Louisville Credit Men's Association, a new vocal aggregation made its debut. Billed as the Credit-Aires, the quartet consists of members of the Louisville Association staff. They are: Mildred Elmore, PBX Operator; Kay McDaniel, Collections; Jo Ann Weyhing, Interchange, and Florence Schell, Assistant Cashier. Their coach is Toem E. Bolton, Louisville Collection Manager.

The quartet has been invited to appear before other Associations and will entertain during the Association's annual frolic which will be held at French Lick Springs.

ASSOCIATION NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL NATIONAL

Callaway Enthusiastically Elected President at 53rd Credit Congress

Atlantic City: C. Callaway, Jr., Crystal Springs Bleachery, Chickamauga, Ga., was enthusiastically elected President of the National Association of Credit Men during the final session of the 53rd annual Credit Congress at Atlantic City, N. J., May 15-19.

Earl N. Felio, Colgate-Palmolive-Peet Co., Jersey City; George H. Nippert, Procter & Gamble Distributing Company, Chicago, and A. J. Sutherland, Security Trust & Savings Bank, San Diego, were elected Vice-Presidents for the Eastern, Central and Western divisions.

Nine new directors also were elected. Alphabetically listed, they are: Laurence S. Day, W. F. Schrafft & Sons Corp., Boston; Mrs. M. W. Deissroth, The Coleman Co., Inc., Wichita, Kansas; Arthur L. Franklin, Pittsburgh Plate Glass Co., Baltimore; E. W. Hillman, Federal Glass Co., Columbus, Ohio; H. J. Lowry, Michigan Mutual Liability Co., Detroit; Holden E. McManigal, Summers Manufacturing Co., Los Angeles; D. M. Messer, Dohrmann Commercial Co., San Francisco; Russell W. Peterson, Puget Sound Power & Light Co., Seattle, and Irwin H. Raunick, Fairmont Foods Co., Inc., Buffalo, N. Y. Messrs. Franklin and Messer were already serving on the Board filling out the terms of directors who had resigned. They are now full-fledged directors in their own right.

"Chad" has been a loyal and valued member of the NACM for many years. He is Treasurer, a Director and part owner of his company which he joined as auditor in 1925. In 1932 he was elected Assistant Treasurer and in 1935 Treasurer. He has been active in the Chattanooga Association since 1925 and has served as a board member for 13 years. He served two terms as president and two as chairman of the board.

He served the National Association as Director from 1940 to 1943 and as Vice-President from 1947 to 1948. Moreover he was National Membership Chairman from 1946 to 1947.

SUNDAY

Delegate Callaway arrives at the Atlantic City station of the Pennsylvania-Reading Seashore Lines for another convention.

THURSDAY

President Callaway is escorted to the dais by Paul Viall and Secretary G. Royal Neese of the Chattanooga Association of Credit Men.

Over 2000 Cram Congress Sessions

Famous Speakers, Panel Discussions Attract Uniformly Heavy Attendance

WELL, sir, it was quite a convention. Sunday, May 15, dawned clear and bright, to coin a cliché, the sun was warm and the wind was light. The convention bureau had already plastered "Welcome National Association of Credit Men" signs over the windows of the boardwalk shops and restaurants, the hotel men had girded up their loins for the coming rush, the registration committee had sharpened their pencils, the information committee had taken up their stand and the influx was on.

There aren't many trains into Atlantic City in a day, so every one that arrived was full of credit men and women. Several of them had special cars attached which had come from widely separated cities. When the registration booth closed for the day over 2,000 delegates had signed up.

Atlantic City is an odd place. Tourists, of course, are the main business and the line of boardwalk hotels stretches for two miles or more. In practically every major hotel credit men and women were to be found greeting each other, or tracking down their friends.

At the Ambassador, convention headquarters, the credit women's committee arranged a reception for the visiting credit women and the hostess committee held a reception and tea for everybody.

MONDAY dawned warm and humid but not oppressively so. As 9:30 came nearer it became more and more obvious that the registration was very large indeed for the Renaissance and Venetian rooms of the Ambassador began to bulge. The first session of every Credit Congress is always a practically 100% attended session; at Atlantic City every registered credit man, credit woman and wife must have been at that first session. And what they got was worth while coming for.

Clarence E. Wolfinger, Lit Brothers, General Convention Chairman, called the meeting to order and introduced the Rev. George W. Lawrence who delivered the invocation. Then, after President Morgan F. Moore of the Credit Men's Association of Eastern Pennsylvania had welcomed the delegates on behalf of the host city, the meeting was turned over to National President Charles E. Fernald, who gave his report. He then introduced the first speaker of the session, Rev. Laurence H. Hall, of Portsmouth, Ohio.

Whoever first got the idea of (a) putting Mr. Hall on the program and (b) putting him in this particular spot deserves a medal. Titling his address "Humor—a Resource," the speaker kept his audience in a hilarious mood from the moment he opened his mouth. An Episcopalian parson himself he poked fun at Episcopalians, Presbyterians and all the other denominations with delightful impartiality to the complete joy of his audience. So that when Henry H. Heimann rose to deliver the keystone address the audience was in a relaxed and attentive mood.

The burden of the keynote address was that promises by governments are as sacred as promises by individuals. The credit of the world rests upon the fulfilment of promises, he said, and it is the duty of credit executives to insist that promises be made good so that faith in mainkind will not suffer. The text is presented in full on page four of this issue.

MONDAY afternoon saw the first of two panel discussions, a feature which has not been presented at credit congresses previously, and one which proved extremely popular. The afternoon got under way with an address by Dr. Vergil D. Reed, Associate Director of Research, the J. Walter Thompson

(Continued on page 34)

Top left: This is a fair idea of what the Atlantic City station looked like as the delegates piled into the town. Upper left: Retiring Vice-President Camilo Rodriguez, Davol Rubber Company, Providence, discovers two fellow-townsmen on the platform—National Director E. William Lane, American Screw Co. (right), and Howard S. Almy, Collyer Insulated Wire Co. Lower left: The registration committee put in a busy day Sunday. Bottom left: National Director Holden E. McManigal and President Fred Cates with members of the Los Angeles delegation.

Picture at top right shows the members of the panel at the Monday afternoon session. Left to right: Randolph W. Hyde, Carnegie-Illinois Steel Corp.; John H. Vogel, Meinhard, Greeff & Co. and Thomas H. Nelson, Rogers & Slade, New York. Immediately below is Dr. Vergil D. Reed starting his speech. Below Dr. Reed we have Past Presidents Charles E. Wells and Bruce Tritton enjoying the breeze on the boardwalk. The picture at bottom right shows the speakers at the foreign trade luncheon. Left to right: William S. Swingle, Wilbert Ward, and Kenneth H. Campbell.

The Los Angeles delegation brought their own home-grown senoritas with them to drum up trade for the 1950 convention of which Los Angeles will be host city.

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A few Monday morning glimpses. Left: Convention chairman Clarence E. Wolfinger, National President Charles E. Fernald and Executive Manager Henry H. Heimann discuss the program before going into the first session. Center: President Fernald gives his annual report. Right: Chairman Wolfinger turns the meeting over to the President.

Co., New York, who spoke on "Recent Developments in Distribution—Their Impact on Credit." Dr. Reed is one of the country's outstanding experts on marketing and taught that subject at the first session of the Executive's School of Credit and Financial Management. He brought out the point that the wholesalers' share of the total amount of goods moving from producer to consumer is diminishing as manufacturers increasingly sell direct to the public. His talk will appear in next month's issue.

Following the talk of Dr. Reed came the panel discussion with the central theme: "What Can Credit Managers Do to Become More Competent?" This was a sort of Executives' School afternoon for, beside Dr. Reed, of the three speakers who made up the panel one was a resident faculty member, one a visiting lecturer and the other a student for the past two years.

Each attacked the problem from different angles. Thomas H. Nelson, partner, Rogers & Slade, management consultants, New York, and president of Executive Training, Inc., covered the credit executive's place in management. He was followed by Randolph W. Hyde, treasurer, Carnegie-Illinois Steel Co., who discussed the question "How Can the Credit Executive Appraise Management as a Credit Factor?" The third speaker was John H. Vogel, Vice-President, Meinhard, Greeff & Co., New York, whose subject was "How Can the Credit Executive and His Staff Keep in Tune with the Times?"

Arthur L. Jones, Armour & Co., immediate Past President of the Chicago Association of Credit Men, the very capable conference chairman, then threw the meeting open to the audience and a lively discussion ensued. Altogether this was considered one of the outstanding sessions of the Congress or of any Congress.

One amusing aspect of the conference was that many of Mr. Vogel's fellow students at Madison sat conspicuously on the front rows prepared to heckle. They stayed to applaud.

SO much for the business of Monday. Monday, however, is also one of the big social days of conventions. This year there were more social functions than ever. Boston and Cleveland started a new innovation with Association breakfasts which were heavily attended. The number of dinners increased this year, too, with events scheduled by Chicago, Detroit, Philadelphia, the eighth district, the southeastern division, the eastern division and the western division. And during the afternoon the Hostess Committee put on a card party for the visiting ladies.

The credit women's luncheon took place on Monday also, though that could hardly be called a social function since it is the one opportunity they have to hold their annual business meeting. Over 200 credit women were present at this year's luncheon.

On Monday evening came the traditional President's Reception and Ball. This too was a very well attended function. The Grand March ran into a couple of pillars that hadn't been taken into account but the affair was a complete success with a large crowd in excellent spirits.

INDUSTRY group day was moved up to Tuesday this year so that if any group felt that it wanted to continue after the adjournment time it would be able to get together again the following day. It is hard if not impossible to tell what went on at every group session as they were held at widely scattered hotels and this year consisted in large part of intimate, informal, hair-down discussions where everybody could get into the act. Several of the outstanding addresses delivered at thsese meetings will be published in subsequent issues.

On Tuesday afternoon the Credit Research Foundation held its first annual meeting which was attended by close to 300 charter members. Officers and Trustees were elected for the coming year. More about this elsewhere.

The delegates repaired to the Convention Hall in the evening for an entertainment which was rated tops by all who saw it. Heading the bill was the Ferko String Band in fantastically gorgeous costumes. They were the champions of the New Year's Day Mummers Parade held annually in Philadelphia. Several Radio and Vaudeville stars were also on the program which was spearheaded by Bob Russell, M.C. for the annual "Miss America" Beauty Contests.

Earlier the visiting ladies had been treated to a luncheon and fashion show, which was a great success, and the members from the Ohio Valley Regional Conference District held their annual banquet.

BY the time Wednesday dawned, which it did with some difficulty, the weather had become foggy and very moist indeed, with a high, chilly breeze. However, it seemed to have no dampening effect on the delegates who turned out in force for the third general session.

After Mrs. Lucy Geib Killmer, Chairman of the National Credit Women's Executive Committee, had delivered her annual report, the Congress settled down for the second of the two panel discussions, this time on the subject "Credit Weathervanes in a Political Economy."

Three top-notch speakers were on hand to discuss this question: Dr. H. E. Luedicke, Executive Editor of the New York *Journal of Commerce,* who spoke on the current economic picture from the credit viewpoint; Alvin Burger, Director of Research for the Association of State Chambers of Commerce, on the current impact of taxes on business; and Dr. William A. Paton, of the University of Michigan's School of Business, who wound up the conference with a discussion of financing problems as seen by the accountant. Again the meeting was opened to questions from the floor.

At noon on Wednesday the annual foreign trade luncheon was held, during which Wilbert Ward, Vice-President of the National City Bank of New York; Kenneth H. Campbell, Manager of the foreign commerce department of the Chamber of Commerce of the U. S., and

William S. Swingle, Executive Vice-President of the National Foreign Trade Council, Inc., the latter two ex-members of the NACM staff, held an unusual form of panel discussion. Seated each before a microphone they tossed questions and answers back and forth between themselves. It was more a three-man chat than a formal discussion.

Following the discussion came the annual foreign trade round table which was heavily attended.

ALSO on Wednesday afternoon came the fourth general session which was featured by three outstanding addresses on widely differing subjects by three experts from Washington.

Past President E. L. Blaine, Jr., at the start of the program gave a short welcome to the bank credit men of the Robert Morris Associates, which was replied to by Walter L. Rehfeld, National President of the Bankers' Association, who had come to the Congress from St. Louis, where he is vice-president of the Mercantile Commerce Bank & Trust Co. After Mr. Rehfeld's reply came the three from Washington, all of whose speeches will appear in early issues.

Walter Trohan, Chief of the Chicago *Tribune's* Washington Bureau, soberly but entertainingly gave his ideas of what is going on in Washington today. He was followed by Edmond H. Hanrahan, chairman of the Securities and Exchange Commission, who spoke on the subject "Accent on Equity." P. L. Smith, President of the National Association of Electric Companies, brought the session to a close with a talk on the place of business managed utilities in the modern trend of industry.

The annual Credit Women's banquet and a dance at the Ambassador rounded out Wednesday. At the banquet, which is the Credit Women's social function of the year, Miss Lenora Slaughter, Executive Director of the Miss America pageant, gave an interesting talk on the subject "The Miss America Pageant Grows Up!"

SO we come to Thursday, the final day, which, since most of the credit men and women would be leaving that day, dawned bright and clear. One speech only was scheduled for this final session, since as usual, most of the morning was taken up with committee reports, awards, elections and such. The one speaker was William L. Batt, president of SKF Industries, Philadelphia, who spoke on "Our International Economic Leadership."

Earlier in the program L. D. Duncan, National Distillers Products Co., National Membership Chairman, gave the report of his committee and presented plaques to the winners in the membership contests with an unusual efficiency and economy of verbiage. Paul W. Miller, Past President of the National Association, then reported on the progress of the Credit Research Foundation in his capacity as Chairman of the Foundation Committee.

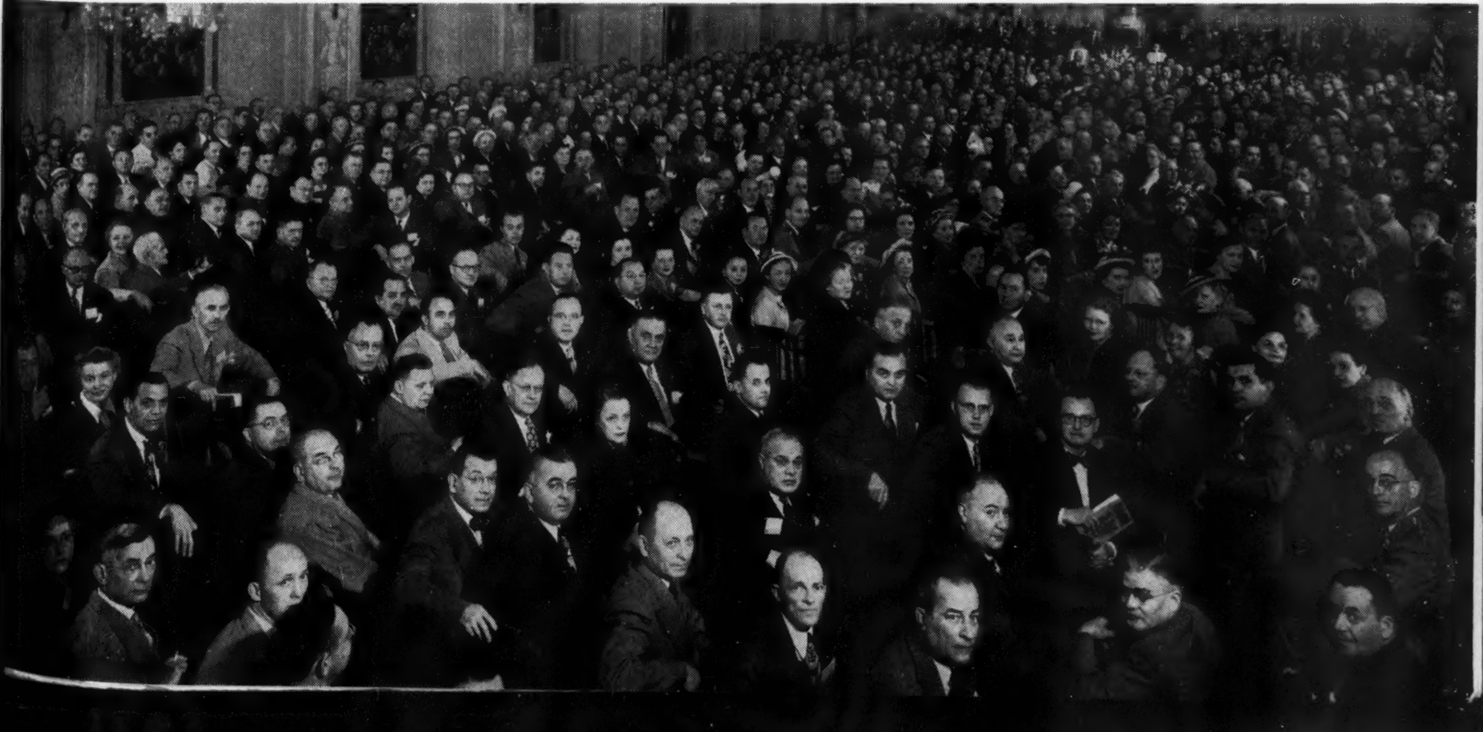
In the unavoidable absence of T. B. Hendrick, of Oklahoma City, Maurice D. Fields, Central Rubber & Supply Co., Indianapolis, delivered the report of the Resolutions Committee which was adopted unanimously. This report can be found elsewhere in this issue.

Finally came the really exciting part of the program when the report of the Nominations Committee was adopted with acclamation and C. Callaway, Jr., was escorted to the platform to assume the National Presidency in a scene of rare enthusiasm. Obviously the committee's choice was the people's choice, too.

"Chad" said a few words of thanks, retiring President Fernald and his charming wife were presented with a silver tea service, newly-elected Director Holden E. McManigal, General Chairman of next year's Credit Congress gave a hearty invitation to one and all to come to Los Angeles next May and suddenly the convention was over.

It was quite a convention.

National membership chairman L. D. Duncan hands the Class AA plaque for the highest percentage gain in membership during 1948-49 to William H. Watts, membership chairman of the Louisville Association. The picture below gives some idea of the full house at the first general session.



DINNERS

Eighth District

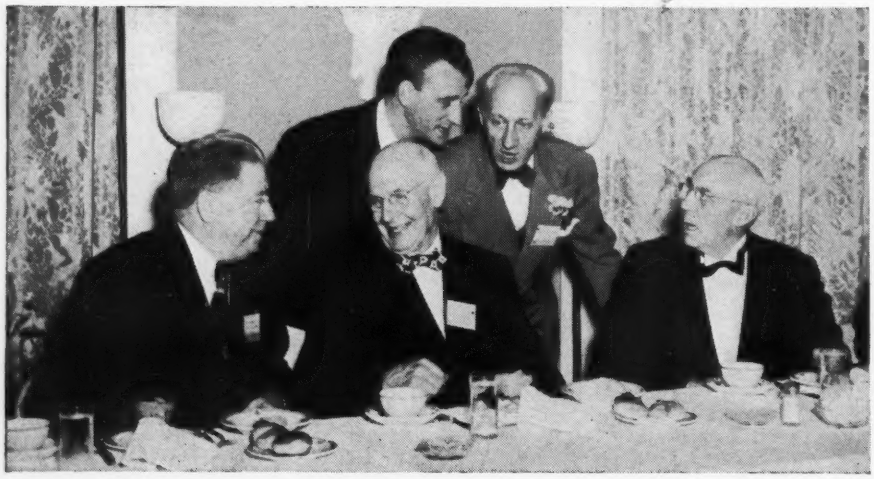
Left to right: Glenn F. Ballard, H. D. Griffith, C. J. Wagner, John J. Schwalbach, W. H. Merrick, George W. Heinke, Walter V. Brown and Frank C. Emrick, Jr.

Chicago

At the extreme right is J. E. Walsh, 1st Vice-President; talking to him is G. T. Thomas, President. In the center D. A. Grant, 2nd Vice-President. The ladies were not identified.

Southeastern

Left to right: R. G. Tobin, J. O. Bratton, Memphis; R. W. Schilling, Atlanta; J. J. Culver, New Orleans, and Mrs. Carmen Dobbs, Atlanta.



Eastern District

Seated left to right: Morton J. Hall, Albany; H. P. Reader, New York, and L. D. Duncan, New York. Standing: Mortimer J. Davis, New York, and George J. Lochner, Baltimore.

Credit Awards Go to Senators Byrd and George

SENATORS Walter F. George, of Georgia, and Harry F. Byrd, of Virginia, have been chosen by the Credit Awards Committee to receive the rarely-bestowed awards given for unusual contributions to the maintenance of sound credit. These awards are sparingly given, the last having gone to the late Senator Carter Glass for his great work in the field of credit and particularly for his sponsorship of the Federal Reserve System.

The committee stated that the awards were being given in recognition of the statesmanship and adherence to sound fiscal policies of the two Senators. The awards will be presented at a later date.

The credit awards committee consists of: William Fraser, J. P. Stevens and Co., Inc.; Henry H. Heimann; Paul W. Miller, Marlborough Co., Atlanta; William H. Pouch, Concrete Steel Co., New York, and A. D. Whiteside, president of Dun & Bradstreet, Inc.

Paul W. Miller Named President of Credit Research Foundation

Paul W. Miller, head of Marlborough Co., Atlanta, Ga., has been elected president of the Credit Research Foundation, which was formally launched at the recent 53d annual convention of the National Association of Credit Men at Atlantic City. The new group is designed to promote a clearer and better understanding of credit and the essentiality of sound credit practices.

Mr. Miller, who is a past president of the national association, was chairman of the committee which organized the foundation.

Other officers are David A. Weir, assistant executive manager of the national association, executive vice-president and secretary; L. D. Duncan, of National Distillers Products Corp., president of the New York Credit Men's Association, vice-president, and Ruth E. Hoctor, comptroller of the national association, treasurer.

The board of trustees is composed of the officers and the following: Victor C. Eggerding, Gaylord Container Corp., St. Louis; Les Fishbeck, Coast Packing Co., Los Angeles; Frank G. Herbst, of Herbst Shoe Mfg. Co., Milwaukee; William C. Hussey, Levy Bros. & Adler-Rochester, Inc., Rochester, N. Y.; E. J. Keefe, Bryan-Keefe & Co., Tampa; Ross R. McCoy, Gulf Oil Co., Pittsburgh; Harry J. Offer, Detroit Edison Co., Detroit; Paul A. Pflueger, of Pflueger & Baerwald, San Francisco; Annie Porter, Santa Fe Builders Supply Co., Santa Fe; Edward N. Ronnau, Cook Paint & Varnish Co., Kansas City, Mo.; K. Calvin Sommer, Youngstown Sheet & Tube Co., Youngstown; George J. Gruen, of Gruen Watch Co., Cincinnati, and Charles E. Fernald, of Fernald & Co., Philadelphia.

L. D. Duncan, National Membership Chairman, (second from left) presents the five-year membership plaque to the Class AA leader—San Francisco. Secretary-Manager Otis Walker is on the left. At the right is president M. C. Ulmer. Accepting the award is immediate past president O. C. Levo.

Paul Kerin Injured

Atlantic City: Paul A. Kerin, Executive Manager of the Dallas Wholesale Credit Managers Association, had the misfortune to slip in the hallway of the Ambassador Hotel as he was alighting from an elevator on Wednesday, May 18, and suffered a broken bone in his right leg. A hotel attendant was in the process of mopping the floor in front of the elevator as Paul came out of the elevator cage. His foot slipped out from under and somehow in the twist to save himself the bone of his leg cracked. He was rushed to the Atlantic City General Hospital in an ambulance, but by Sunday night it was found that he could be shipped back to Dallas, so an ambulance carried him to Philadelphia, where he was placed on board a through train to the Texas City. He was accompanied home by Mrs. Kerin and members of the Texas delegation.

San Diego hit the jackpot with both the one-year and the five-year awards for Class B. Here President Fernald is shown with the San Diego representatives.

A general view of the receiving line preceding the President's Ball. This was one of the most successful and well-attended functions of the whole convention which itself was one of the most successful ever undertaken.

STATEMENT OF POLICY

Adopted at the 53rd Annual Credit Congress of The National Association of Credit Men

THIS, the 53rd Annual Credit Congress, having received from its Committee on Policy and Resolutions a statement of policy and recommendations, declares it adopted and urges the members of this Association to exert their influence in supporting these statements and resolutions, recognizing the responsibility and obligations of the credit profession to the national economy and the public welfare.

WE are all aware of the many inefficiencies in management in our national government and the many duplications of positions, of agencies and bureaus which all result in great waste of money and time and which also have a direct, adverse bearing on our duties and responsibilities as credit executives. Therefore be it resolved that this 53rd Annual Credit Congress of the National Association of Credit Men go on record, and each individual delegate here assembled pledge and promise to study the problem of government spending and to do his or her part to help correct as far as possible these inefficiencies, duplications and needless waste.

THE war burdens have emphasized the need of efficient and economical government. A representative independent group of patriotic citizens serving under former President Herbert Hoover have brought forth a most constructive plan for reorganization of government along economical and efficient lines. This report must be taken seriously and action upon it is demanded by the majority of our people. Therefore be it resolved that the credit executives representing every state in the nation gathered together in Atlantic City approve this report and strongly urge its adoption.

INASMUCH as the United States Government is losing over a billion dollars each year in revenue from tax-free commercial enterprises carried on by tax-exempt business corporations which by the nature of their activities create grossly unfair competition with all fully-taxed business enterprises, and since the Congress of the United States is desperately searching for means to increase tax revenue to avoid a fiscal deficit, therefore be it resolved that the 53rd Annual Credit Congress of the National Association of Credit Men herewith petitions the Congress that before it considers raising income taxes on already fully taxed businesses, it enact legislation taxing all commercial enterprises on the same basis and at the same rates.

TO the United States Department of Commerce for the generous assistance and helpful cooperation afforded this Association during the past year in the collection and dissemination of valuable information of interest to our members, and for the helpful contributions to the program of the Credit Congress made by members of the staff of the Department of Commerce we express our hearty thanks and sincere appreciation.

TO the officers, the staff, the members and the various efficient committees of the Credit Men's Association of Eastern Pennsylvania, whose cordial hospitality, friendly and generous contributions to our entertainment, efficient direction of the program, and courteous and helpful services have made this 53rd Annual Credit Congress a memorable event in our Association's history and in our personal experiences we express our sincere appreciation and hearty thanks.

TO the ladies of Philadelphia and especially to Mrs. Charles E. Fernald, Chairman of the Hostess Committee and to her efficient Co-chairman, Miss Felicia L. Bandos, and to the members of their various committees our hearty thanks are extended for the gracious, friendly and effective manner in which they have entertained the wives of the delegates to this congress.

TO all the daily newspapers of Philadelphia, Atlantic City and New York, the Associated Press, the United Press, the International News Service, to S. S. May and the Daily News-Record of New York and to all other daily newspapers for their excellent co-operation in presenting to the public relevant news of the activities and ideals of our Association, we are most sincerely thankful.

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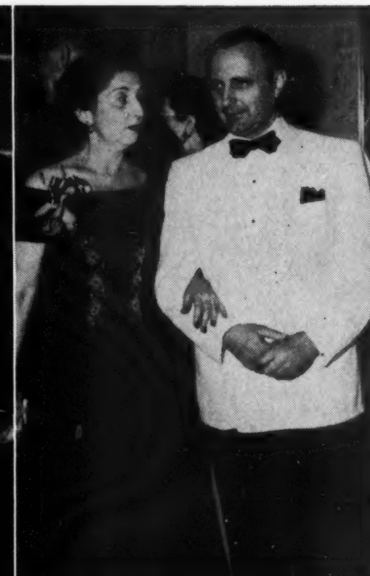
S. S. May Honored During Convention

Atlantic City: During the third general session of the 53rd Annual Credit Congress on Wednesday, May 18, S. S. May, city editor of the *Daily News Record* and perennial reporter of credit conventions, was signally honored with a life membership in the National Association.

The tribute was given in recognition of Syl May's long service to the credit fraternity, and was presented on the occasion of his 29th, and last, attendance at NACM conventions.

The presentation was made unannounced beforehand. Vice-President Camilo Rodriguez, Davol Rubber Co., presiding at the session turned the chair over to Mr. Heimann who asked William Fraser of New York and Otto E. Druetzer of Cincinnati to escort Mr. May to the platform. There Mr. Heimann commented warmly on Mr. May's work and presented him with a gold life-membership pin.



Candid pictures of the PRESIDENT'S BALL

Top left: National Director and Mrs. Charles W. Cayten of Dallas.

Top center: Retiring Vice-President and Mrs. Arthur R. Wilson of Denver with Convention Chairman and Mrs. Clarence E. Wolfinger.

Top right: Mr. and Mrs. Charles E. Fernald photographed just before leading the grand march.

Center: Past President Silas J. Whitlock with (left to right) Kathryn M. Sirc, of Cleveland; Bess Marshall, of Los Angeles, and S. Jane White of Cleveland, all three prominent in Credit Women's activities.

Bottom: General view of the grand march.

Doubling in Brass

Joseph D. Metts, Fox-Vliet Drug Co., Albuquerque, accepts the five-year trophy for his own Association and the five-year plaque for the Tri-State Association in El Paso. They were leaders in Class D.

FINAL MEMBERSHIP REPORT

	Net Gain	Members 4-30-49	*Percent
CLASS AA			
Louisville	91	1035	107.36
Chicago	91	2026	104.70
San Francisco	57	1291	104.62
CLASS A			
St. Louis	113	866	115.01
Boston	61	591	111.51
Rochester	51	608	109.16
CLASS B			
San Diego	52	413	114.41
New Orleans	25	276	109.96
Dallas	27	300	109.89
CLASS C			
Salt Lake City	42	247	120.49
Birmingham	19	226	109.18
Des Moines	11	242	104.76
CLASS D			
El Paso	30	151	124.80
Washington	18	155	111.68
Oklahoma City	11	129	109.32
CLASS E			
Little Rock	23	70	248.94
Columbus	25	111	129.07
Davenport	11	51	127.50
CLASS F			
Cape Girardeau	17	42	168.00
Mansfield	19	51	159.37
Hannibal	8	24	150.00

FIVE YEAR MEMBERSHIP REPORT

	5 Year Gain	Members 4-30-49	Percent
CLASS AA			
San Francisco	609	1291	189.30
Los Angeles	500	1430	153.76
Chicago	594	2026	141.49
CLASS A			
Kansas City	407	635	278.51
Rochester	326	608	215.60
Baltimore	287	557	206.70
CLASS B			
San Diego	266	413	280.95
Dallas	178	300	245.90
Denver	159	310	205.30
CLASS C			
Honolulu	149	191	454.76
Lexington	149	238	267.41
Des Moines	140	242	237.26
CLASS D			
Albuquerque	76	117	285.37
Youngstown	77	145	213.24
Binghamton	60	113	213.21
CLASS E			
Bristol	46	63	370.59
Terre Haute	55	80	320.00
Little Rock	48	70	318.18
CLASS F			
Austin	18	30	250.00
Quincy	11	27	168.76
Clarksburg	10	32	145.46

Duncan Reports Good Results in Membership Drive

THE membership of the National Association of Credit Men for the year ending April 30 reached a total of 30,085, an increase over the same time last year of 1,171, according to the annual report of National Membership Committee Chairman L. D. Duncan, National Distillers Products Corp., who is also the new President of the New York Credit Men's Association.

New York, Chicago and Los Angeles, in that order, continue to lead in membership figures. Louisville won the Class AA honors for the past year and San Francisco for the five year period.

Present Banking System Discussed at Convention

A PANEL of bankers, business men, educators and industrialists discussed the vital question "Is Our Present Banking System Fully Meeting the Needs of Business" during the Bankers' Group session at the Atlantic City convention.

Alfred H. Williams, President of the Federal Reserve Bank of Philadelphia presided, and the panel consisted of Dr. Robert P. Brecht, Professor of Industry at the University of Pennsylvania's Wharton School of Finance; T. Allen Glenn, Jr., President of the Peoples National Bank, Norristown, Pa.; Harry L. Miller, President, Chester Dairy Supply Co., Chester, Pa.; Dr. Courtnay Pitt, Vice-President of the Philco Corporation; William G. F. Price, President, Belding-Heminway Co., Inc.; and Casimir Sienkiewicz, President of the Central-Penn National Bank.

The consensus was that the banking system was doing an adequate job. Mr. Sienkiewicz pointed out that commercial and industrial loans as of December 31 were at an all-time high. He declared that considerable pressure was being put on the banks to make loans of a capital nature due to the failure of normal channels to meet the growth in demand for funds to complete plant expansion programs.

Oakland Zebras Give Party

Oakland: That Oakland, California, Herd of the Royal Order of Zebras have been kicking up their heels again. On May 6th, a Bon Voyage or Hasta la Vista party was thrown at the unique "Villa de la Paix" in honor of their delegates departing a few days later for the Atlantic City N.A.C.M. Convention. A total of 51 Zebras participated in this very successful evening's entertainment, and besides impromptu speeches and stories, they enjoyed the music of a wandering accordionist and a mystifying prestidigitator.

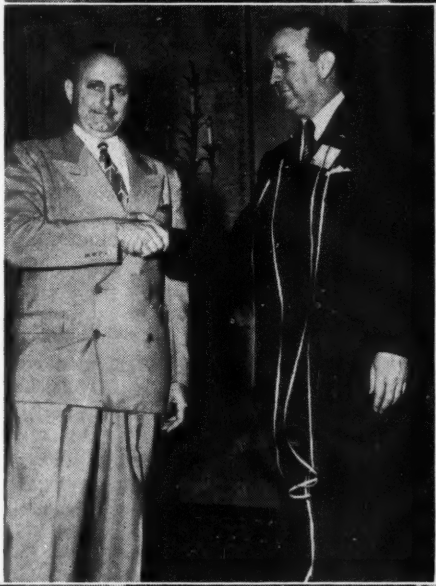
CLOSING MOMENTS

Top: Executive Manager Henry H. Heimann presents to retiring President and Mrs. Charles E. Fernald a silver tea service as a token of appreciation for his year's service.

Left center: The retiring President greets his successor C. Callaway, Jr., on the platform immediately after his election.

Right center: The three new Vice-Presidents just after they were escorted to the platform. Left to right: George H. Nippert, Procter and Gamble Distributing Co., (Central Division); Earl N. Felio, Colgate-Palmolive-Peet Co. (Eastern Division) and A. J. Sutherland, Security Trust & Savings Bank (Western Division).

Bottom: The program closes with the singing of Auld Lang Syne. Left to right in the picture are Irwin H. Raunick, Earl N. Felio, George H. Nippert, Charles B. Rairdon, Mrs. Charles E. Fernald, Mrs. C. Callaway, Jr., President Callaway, A. J. Sutherland, Henry H. Heimann, E. W. Hillman, H. J. Lowry, Laurence S. Day, Arthur L. Franklin, R. W. Peterson, Mrs. M. W. Deissroth and Paul W. Miller.



The credit women's banquet was a well-attended affair. Below: The head table at the credit women's luncheon.

Credit Women Are Congratulated On Yet Another Successful Year

THIS year, as in the past, our program has been threefold:

1. To increase membership in the National Association of Credit Men.
2. To carry on education program including awarding of scholarships.
3. To encourage and assist in formation of new Credit Women's Groups.

Under the able and inspiring leadership of Bess Marshall, Vice Chairman from the Western Division who directed our membership work, the Credit Women's Groups again performed notably. Although conditions were a bit more difficult this year, Credit Women's Groups accounted for 352 new Association memberships, with New York winning the Plaque for the fourth consecutive year. We are proud of our record on membership work. It is concrete evidence that we take our profession seriously and value highly membership in our fine National Association.

Marian McSherry, Vice Chairman from the Eastern Division, directed our Educational Program. Under her splendid, sparkling leadership this essential part of our program has reached a new high. Fourteen scholarships were added to last year's total of 64 to make a total of 78 scholarships awarded this year by 39 groups. These scholarships vary from the tuition for a single course to the tuition for a full semester in a school of business administration.

This year 6 women were honored with the award of Associate and 2 with the award of Fellow in the National Institute of Credit.

The monthly programs of Credit Women's groups were increasingly built around the theme of education this year. The "Know Your Association" meeting continues in popularity, giving members an insight into the workings of the local and national association. Forum meetings provided opportunities for women credit executives to exchange ideas and to pass helpful information on to junior credit women. Our education program has indeed been rich and varied.

Loretta Fischer, Vice Chairman from the Central Division, directed our Publicity with fine enthusiasm. As editor of our News Letter, which she christened *Tele Cast,* she kept us constantly informed of the activities of the various groups.

More groups this year have publications of their own whereby they keep their individual membership informed. These are most attractive, well planned and very interesting. Many groups share their ideas by having other groups on their mailing list.

Excellent newspaper items on special credit women's activities we feel have aided our public relations. Some of our groups also receive good radio publicity.

CREDIT Women's Groups have had a rather rapid growth. Almost two-thirds of the present 47 groups had their beginning within the last ten years. When growth is so rapid, it is well to take time for consolidating the progress made. This has been the record of the past year. Many groups have been strengthened and programs and membership improved.

It is a pleasure to report that there seems this year to be an even increased spirit of unity and harmony among credit women's groups. There has been a very general and appreciative understanding of our national objectives and a very real effort to achieve them. You will be interested in studying carefully the individual annual report of each group which is appended to observe especially the increases in membership and in scholarship activity.

This year both the Kansas City and the Seattle credit women celebrated their 20th anniversary, bringing to eight the number of groups which have passed this milestone.

Credit women continue to serve on the Board of Directors of many local associations, rendering helpful and appreciated service. We are especially proud of Miss Bess R. Havens of Binghamton and Miss Mary Curran of Boston who served so very capably on the Board of Directors of the National Association of Credit Men these past three years. They followed in the footsteps of Miss Annie Porter of Santa Fe, New Mexico, who in 1941 was the first woman elected a National Director. We are very proud of these women for through them the way has been made easier for all women in Association activities.

It was the aim of your national committee this year to permeate our credit women's group with a more thorough understanding of the principles of the National Association of Credit Men so that we might even better appreciate our fine professional Association, and further unify our active participation in it. We have also striven to bring the value and importance of credit women's groups before local secretary-managers, especially in cities where there is at present no credit

Three leading members of the hostess committee caught by the cameraman near the registration desk. Left to right: Miss Felicia Bandos, Mrs. Charles E. Fernald and Mrs. E. I. Atlee, Jr. At right Marian McSherry receives the credit women's membership plaque for the New York Credit Women's Group from National Membership Chairman L. D. Duncan.

women's group. It is no secret that the credit women's groups which have made the greatest progress are the groups having a sound appreciation of Association policies and the understanding and genuine support of the local secretary-managers. In turn, these credit women's groups have contributed immeasurably to the progress of the local associations. The foundation of success in an organization is mutual understanding and cooperation.

Credit women are taking an ever increasing interest and active participation in all Association activities. Four different credit women's groups sponsored one big meeting of the year for their Associations. They handled all announcements, invitations, speakers, etc. In each instance it was interesting to observe they had a larger attendance than at any other meeting of the year.

In several cities the publicity chairman for the Credit Women's Group did such an outstanding job she was asked to take the responsibility for the publicity for the local association.

More women this year appeared on the programs of the industry group meetings at the National Credit Congress,—a natural outgrowth of their active participation in trade groups at home.

As our splendid Association grows, credit women are growing with it, and assuming rightful responsibilities in it. It was the collaboration of credit people across the country that made credit work a profession and this same collaboration by credit women's groups is bringing about universal acceptance of women in this profession.

—Lucy Geib Killmer
National Chairman

Owing to the extreme pressure of space in this issue the items of news from the Credit Women's Groups have perforce been held over until next month.

G. E. Archer Named New Head of Petroleum Men at Annual Conference

Buffalo: The twelfth annual conference of the Association of Eastern Petroleum Credit Managers held at Hotel Statler in this city on April 19-21 drew a large attendance and interested a large number of petroleum executives in the eastern section. E. F. Kieffer acted as general chairman at the conference. The program featured such subjects as collection statistics, marketing problems, jobber and distributor problems, and the outlook in the petroleum industry. A bulletin of the National Petroleum News issued on April 27 indicated an improvement in the accounts receivable position of the eastern section of the industry. Albert C. Cater, Division Credit Manager Socony-Vacuum Oil Co., Buffalo, presented the results of this survey at one of the sessions of the Buffalo conference.

New officers elected at the Buffalo meeting include G. E. Archer, The Atlantic Refining Co., Providence, President; A. G. Shipp, Tidewater Association Oil Co., New York, Vice President; F. R. Kraemer, Secretary-Treasurer, Mineola, New York; D. R. Meredith, Assistant Secretary, Credit Association of Western Pennsylvania at Pittsburgh.

Past Presidents' Night Is Observed at Hartford

Hartford: The Hartford Association of Credit Men held its annual Past Presidents' Night at the Wethersfield Country Club May 25. Sixteen past presidents were at the meeting.

The festivities were preceded by a golf tournament. The speaker was Camilo Rodriguez, Davol Rubber Co., Providence, who titled his talk "Footprints on the Sands of Time."

Cleveland Credit Men Celebrate 50th Anniversary

Cleveland: May 11 marked the Fiftieth Anniversary of the Cleveland Association of Credit Men with a proper celebration and banquet held in the Masonic Temple. The features of the program were choral members of a 30-voice group from among the students of eleven colleges in Cuyahoga County; an orchestra number directed by Joseph O. Caputo; a considerable amount of fun was obtained from the extraordinary activities of Dr. Giovanni, a prestidigitator, a professional from Hollywood who demonstrated how easy it is to take off peoples' vests without unbuttoning their jackets. The address of the evening was given by Dr. Norman Vincent Peale of the Marble Collegiate Church in New York who gave his talk on "Formula for Happiness and Efficiency."

A large number of members of the Cleveland and other Ohio Associations attending this anniversary dinner were presented with a brochure covering the history of the Cleveland Association from 1899-1949. This history was compiled by Kenneth S. Thomson, Executive Secretary of the Cleveland Association, and presented information about the founding fathers of the Association and those who have carried on since. This brochure, no doubt, will be highly prized by members of the Association as a part of the archives of their affiliations.

Columbus: E. B. Moran, Manager, Central Division, NACM, was the speaker at a luncheon held during the first annual Insurance Buyers' Conference held under the sponsorship of the Insurance Board of Columbus on April 27.

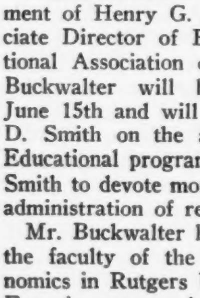
Two Additions Made To The National Staff

Dr. Lawrence T. Schwarz has been appointed to the Staff of the Credit Research Foundation as Associate Director of Research. He assumed his duties on June 6th. He received his A. B. and Ph. D. degrees at Columbia University with majors in Economics and English and a minor in Statistics. For the past three years Dr. Schwarz has served as Economist and Administrator with the United States Military Government in Germany. During World War II he served in the United States Army Air Corps as a combat intelligence officer in seven major campaigns in Europe. From 1937 to 1942 he was engaged in independent economic research in Banking and Credit. Subsequent to receiving his Ph. D. degree in 1932 he was engaged as Research Assistant at Columbia on special research in long-term credits and investment banking. Two additional years were spent as Professor of Economics and head of the Department at Seton Hill College in Greensburg, Pennsylvania.

Dr. Schwarz is a Fellow of the Royal Economic Society, the American Economic Association and the American Statistical Association.

Announcement is made of the appointment of Henry G. Buckwalter as Associate Director of Education of the National Association of Credit Men. Mr. Buckwalter will begin his duties on June 15th and will work with Dr. Carl D. Smith on the administration of the Educational program so as to enable Dr. Smith to devote more time to the over-all administration of research and education.

Mr. Buckwalter has been a member of the faculty of the Department of Economics in Rutgers University since 1947. For six years prior, he was Technical Training Officer with the United States Navy. He has been a member of the faculties of Penn State College and of Albright College. He served as Director of the Reading, Pa., Retail Credit School and during the past year has been Director of the Retailing School conducted by the Adult Education Committee of Montclair, N. J. In 1941 he served as a member of the Hubert-Herring faculty of the 16th Seminar on Cultural Relations with Latin America conducted in Mexico City. For the past twelve years he has lectured throughout the country on Economic and Industrial subjects. He has traveled extensively through Europe. Prior to his teaching experience he was associated with the Federal Reserve Bank of New York and later was Advertising Manager for a dairy supply distributor.



Mr. Buckwalter is a graduate of Franklin and Marshall College in Lancaster, Pennsylvania, and is the recipient of the Master of Science degree in Business and Economics from Columbia University. He is a member of the American Economic Association, the American Marketing Association and the New Jersey Council on Adult Education.

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Worcester: John E. Pierce, Brown's Beach Jacket Co., was re-elected President of the Worcester County Association of Credit Men at the annual meeting on May 9. Other officers re-elected were D. Leander Brennen, Reed-Prentice Corp., 1st Vice-President; Andrew P. Braid, Riley Stoker Corp., 2nd Vice-President; Carl W. Ribb, Guaranty Bank & Trust Co., Treasurer, and Sylvanus J. Smith, Mechanics National Bank, Councillor.

Ladies' Night at Omaha; New Officers Elected

Omaha: The Annual Ladies' Party of the Omaha Association of Credit Men was held May 26. This is always the outstanding meeting of the year and is sponsored by the credit women of Omaha. During the meeting the members elected new officers for the coming year. Ernest R. Morgan, Armour & Co., is President; Clarence W. Gardiner, Merchants Biscuit Co., 1st Vice-President, and Norbert G. Bausch, Henry W. Miller Electric Co., 2nd Vice-President.

Situations Wanted

Credit executive available, 14 years experience; wholesale, retail, mail-order credits and collections. College graduate. Degree in law. Complete knowledge of bookkeeping, accounting and personnel work. Excellent references. Box J-2, Credit and Financial Management.

General Credit Manager, top level experience national industrial administrative credit scope. Commercial law and public accounting background with ability to direct and meet people. Expert in organization, methods, evaluation of risks, credit techniques and representation on creditor's committees. Degree. Box J-1, Credit and Financial Management.

Credit Man and Accountant

(Continued from page 15)

we must come to the realization that to enjoy a high measure of success in our work we must secure the favorable attention of people.

The day is gone when a credit man would drink vinegar for breakfast in order that he might be a sourpuss all day long and do nothing but say NO in capital letters. Likewise, the day is gone when an accountant can get by with saying to the superintendent, "Brother, I don't know how you're going to reduce costs. That's your headache. All I do is dish out figures."

We must face the fact that to gain the favorable notice of people, we must first open our minds and wholeheartedly assume the attitude of "What can I do to help?" Facts and figures are o.k. but they do not always gain attention or get results. You have to give them life, even a little dash of glamour at times. It is not enough to give people who contact you a square deal. *They must be shown and they must be sold that they are getting it.*

HOW do we go about this? Simply stimulate the interest of your customers, your fellow employees, your department heads in your services and facilities. Then create the desire on their part to want to come to you, want to draw upon your services and counsel. After all, the making of friends is an easy matter to a wide-awake accountant or credit man. Let's not forget, the ability to sell your "stuff" normally results in more and better business to the satisfaction of all concerned. We are all salesmen, every day of our lives. We are selling our ideas, our plans, our energies to those with whom we come in contact. To us the art of selling might most appropriately be called the "technique of persuasion." Isn't it true that most of us have to accomplish our goal by persuasion rather than by force or right of position? Yes, there is a tremendous selling job to do.

Because of the great and constant opportunity to use psychology in our daily work, which after all is mainly interest in and understanding of human beings and human relations, I cannot think of anything other than a professional accountant or

credit administrator in terms of a super-salesman. Of course you know that the kind of salesmanship I am talking about differs from the high pressure artist who, for example, sells milking machines and approaches a farmer who has only one cow and against the poor farmer's will not only sells him one milking machine but two, and then takes the cow in as down payment. Well, how many of us sell our wares with that much of a sizzle?

WHEN we think about making our jobs economically worthwhile, when we practice economies and do our part in the development of our business, we come to the key point of—*profit talk.*

Yes, prices are high, so much so that some people would like to have you think that it is almost anti-social, anti-American to even mention the ugly word "profit". Now don't get me wrong, I'm not plugging for inflation. In these hectic times, some businessmen seem to forget that their customers are also out to make a profit. Every man or woman would boldly put forth his or her best efforts to make a million dollars.

No responsible leader of this country's business will maintain that all business organizations are perfect and proper. There will always be plenty of room for improvement and housecleaning. However, that condition does not warrant business, large or small, to speak apologetically of its efforts to do a good job, to remain economically sound, or to develop good public relations.

Private enterprise and the profit system have made our country great. In spite of that record, some people are still attacking the profit motive. Our job as sound thinking business men and women is to continue to be "profit-minded", for goodness knows the margin of profit is becoming smaller day by day.

When business is good there is a danger that some men will let down. Therefore, I urge you to be vigorous and vigilant, maintain your present high standards, support the prestige of your profession and never be ashamed to carry the torch for free enterprise and for a fair and reasonable profit system. Remember, you are also a practical economist.

THERE is a difference, as you know, between a politician and a statesman. There is a difference between a poor businessman and a good businessman. A poor businessman, like some politicians, unfortunately is all too often led by bad influences, but a good businessman, like a statesman, is a leader who formulates his own ideas and decisions; who by the strength of his character, his integrity and the power of his ideals becomes a constructive force in his business and in his community.

It's easy to go with the crowd but it is difficult to stand against pressure, to recognize an ideal and to fight for that principle. Of course, practical compromise does have its place in the scheme of things.

To you as career men and women in the business world, I say, as we plan for tomorrow, let us make sure that we are building into our lives those qualities of higher business ethics and characteristics of statesmanship that broaden the fields of better understanding, better business relations, and build a better country.

It's a big responsibility being in business these days. That is why we should all look forward with pride upon our profession as scientific, psychological, economic and statesman-like. Therefore with sincere conviction I say to you again, whatever your title or classification may be, it's an opportunity, it's a privilege, it's a credit to be an honorable businessman or woman.

Our Vital Role

(Continued from page 10)

that they will discharge this responsibility. Our strong advocacy of the UN Organization, of the International Bank and Monetary Fund, of the Food and Agricultural Organization, of Recriprocal Trade Agreements, of the Marshall Plan for European Aid, and now of the Atlantic Pact—measures vigorously debated against considerable opposition—all this together makes a consistent pattern which represents the firm, if reluctant, judgment of this country, as to the direction in which it proposes to go.

This reluctance is entirely understandable. Through all of our national history, as I earlier commented, we have been free to take the rest of the world or leave it. Any surplus available for export was immediately used to pay the overseas debts we had incurred as a part of our own great internal development of the preceding century. Gold was the regularly accepted basis for international exchange and we had a good supply of it. Immigration was welcome in keeping our reservoir of low-cost labor adequately full. Great Britain and her navy had provided world leadership and order; her markets were wide open to our trade. Yes, so far as our international trade relationships were concerned, those were the good days. We had as well be realistic and accept the fact that they have gone; no wishful thinking can bring them back.

I COMMENTED, with gratefulness, on the growing willingness of us Americans to accept a larger measure of responsibility for world leadership, and I referred to our initiative in most of the postwar international programs. All of these have certain common aspects and all deal with fundamental and inter-related elements of U. S. foreign economic policy. Because they have such a bearing on our welfare at home and the welfare of the whole world, they are issues of vital significance to you and me as citizens, and not the least as taxpayers. I happen to feel that the peace of the world is very closely related to their determination. Because I am maintaining that they are all part of a pattern and that the ITO should be looked at as one of the pieces in that pattern, or links in that chain, I want to comment on some of these other and better known issues.

The ECA—commonly known as the Marshall Plan—is pretty well understood by this time. We have seen nearly a year's operation under it; editorial writers and news commentators are familiar with it; and

the members of the Congress know a good deal about it. Where there is any difference of opinion, it is likely to be only as to the precise amount of dollars in any specified period. By and large, we seem to be satisfied that it has been a momentous contribution by the American people toward world reconstruction.

Somewhat less unanimity exists, I am afraid, as to the Reciprocal Trade Agreements Act. There is a substantial and vocal section of our people seriously concerned over any program which promises to reduce our tariff protection. This view prevailed with the previous Congress and resulted in a significant weakening of administrative authority in this field. The present Congress is being asked to restore the earlier position—as I strongly think it should—and this issue is now on the floor.

The International Food and Agricultural Organization has been quietly but effectively working to provide a better knowledge of world food needs and available supplies. Around this table meet representatives of food consuming as well as producing nations. Certainly there is no longer any excuse for ignorance of the elements making up man's very basis of existence, and I would give great credit to this sort of joint international effort. It has no compulsory powers at all but there is every reason to hope for more intelligent action by each country as a result of better understanding of fundamental facts.

The International Bank and the International Monetary Fund have had no spectacular successes so far, but equally they cannot be branded as failures. The securities of the Bank, in an open and unsupported market, are around parity, and that is surely an endorsement of what it has done. The principal criticism I hear is that it has not gone far enough, but I shan't get into that argument today. The only point I make is that one can't ever be sure where we would have been without these two links in the world chain and that there is no substantial body of support for any proposal to do away with either of them.

LIKE the United Nations itself, such organizations fulfill a most useful function if they do nothing more than to provide a meeting point for discussion between countries; it may be that their function at one time is only to provide a set of commonly accepted facts; at another they may serve as a sort of safety valve to relieve tension.

It may well be that the settlement of the Berlin crisis would not have come about, had it not been that the representatives of the United States and Soviet Russia were daily in contact at Lake Success in connection with their United Nation responsibilities. It is a serious misunderstanding of international negotiation to underestimate the significant values in these regularly established meeting places. They can be tremendously effective even when they make no headlines.

I emphasize this conclusion because it has material bearing on the work of this new project that I have already touched on today, the International Trade Organization. In a way, this is broader in concept and possibility than these other projects on which I have touched, but it is certainly part and parcel of the new and broadened concept of the U. S. foreign policy.

IT has long been recognized that there should be some sort of codification of international economic behavior, some set of agreed ground rules, which governments and their citizens dealing in the international trade field would recognize in their relationships with each other. Although that obviously could not be attempted during wartime, it was anticipated in the master agreements under Lend-Lease.

The first concrete step was a so-called "White Paper" issued by our State Department in late 1945, where our views on the desirability of freer multilateral trade and the reduction of restrictions and abuses were clearly set out to the governments of the UN. Conferences in London and Geneva followed, which laid the groundwork for the 57-nation meeting at Havana in late 1947. The result was the Havana Charter—a sort of constitution and bylaws for a world organization within the UN and dealing with all aspects of international trade. Covering the vast field which it does, and representing such a sharp diversity of international opinion, it is, of necessity, detailed and voluminous.

Much of the criticism of it arises because of that very detail. Had the Charter contented itself with merely emphasizing its one common thread of freer and less restrictive trade, it would, I suppose, have had unanimous American support, but in this world of widely varying economic and political philosophy, other nations were sure to insist upon exceptions and qualifications which seem to them to represent necessities of their own particular problems. The fact that fifty-four nations did reach some kind of an agreement represents, in itself, the most impressive example on record of democratic processes in international economic affairs.

I WOULD be the first to agree that the Charter is not perfect and that there are many things the ITO will not be able to do, but I would point out that any international agreement, because it is a product of compromise, can never fully satisfy any single party. Some Americans feel that the compromise made by the U. S. Delegation amounted to "selling America down the river" and that too many concessions were made to the viewpoints of other countries. If it had been a question of lining up these 53 other nations and saying, "Boys, this is it—just sign on the dotted line," that would have been another matter, but of course, such an hypothesis is unrealistic.

The fact is that the Charter is a lot closer to our ideas than those of most any other country. Most of these countries have made large concessions to our viewpoint. It is interesting to observe that the Russians, who attended none of these conferences, must have sensed this because they cut loose their heaviest propaganda against. ITO. Pravda, the official newspaper, didn't lose any time before it said, "The Americans have worked out a broad plan creating a world trade and currency system with the help of which powerful American capital can become complete master in the field of international trade and gradually take into its own hands control of the economy of most other nations." I hardly need point out what the Russians would have said about the ITO if we actually had forced our views on other countries at Havana.

If we had insisted that all other

countries eliminate all state trading (despite the fact that most practice it to some degree today), if we had insisted on outright and immediate elmination of private cartels (even though they have been used in many countries for generations), if we squelched all the desires of the "undeveloped countries" (even though they represent two-thirds of the world's population), I suppose we might have gotten some countries to sign up anyway, simply because they thought they had to. But I can think of few things that would have destroyed our democratic leadership more, nor few things that would have been more utterly self-defeating.

I am sure no thinking American could desire such a course. So long as we believe in democratic procedures, we must accept the Havana Charter as the best that could have been achieved in a realistic world. The Charter is the best hope we have of restoring world trade. *This is the heart of the matter.* For the restoration of world trade, which must have seemed a laudable but unessential objective before the war, is an absolute must for us today. Our whole structure of foreign policy, our entire position in world affairs, depends in large measure on getting the world's goods flowing once more.

THE European Recovery Program represents a large investment toward this objective. It was a gamble, in a sense, but we are now able to see it beginning to pay off. The factories in Europe are moving again; war damage is being repaired; food and consumer goods are now in enough supply to stem unrest; the morale of the people is much better. More than we dared to hope, Europe is pulling itself along the road to recovery. It seems likely now that the main objective of ERP, to restore Europe's productive capacity, not merely to what it was at the outbreak of the war, but to that larger volume which I have earlier emphasized as basically necessary, will be achieved.

This is an important victory, particularly when we remember that Europe is the keystone of world trade. But it must never be forgotten that it is only the start towards the larger goal—world prosperity. To date we have been concerned with the most critical issue: production in Europe. Now we must turn to the long-run one: trade in the world.

Without European production it is doubtful if world trade could have been restored. Without restoring world trade it is certain that rebuilding European production will prove a futile palliative. It does no good to rebuild the factories, fill the warehouses, clear up the ports, if the goods have nowhere to go. Only by undamming the flow of world trade can Europe and the rest of the non-Soviet world hope to attain the prosperity necessary to make them economically and politically secure. ITO is the only international instrument for achieving that goal within the framework of the United Nations.

Approving the ITO is the only way I know to have a hope that the heavy investments of American dollars we have been making abroad shall not prove to have been wasted. It is somewhat like the situations many of you have faced where, after being willing to put good dollars into an enterprise in trouble, you logically insisted upon the necessity for sound organization and efficient management to keep the thing going. Each of our postwar contributions to war reconstruction has been necessary of itself but no one of them individually serves the long-range objective as does this over-all approach.

FOR added emphasis, let me try to sum up what these long-range objectives are, and to do that, I shall use the words of a statement by the National Committee for the ITO. This is a group of most representative men from all over the country and all walks of life, although more largely business, who are voluntarily joined together to advocate approval of the Havana Charter of the United States. In part this is what they have to say about the Charter and what it should do.

"The Committee believes: That democracy can be more easily preserved if the free nations of the world will reconstruct international economic relationships on principles that are congenial to private enterprise.

"That the security of free nations in a troubled world will be more certain if they are bound together by the ties of trade.

"That trade among the free nations will grow if there is agreement upon a code of rules that is acceptable to all.

"That the solidarity of free nations will be greater if measures affecting trade are adopted with due regard for the interests of others, and if disputes instead of provoking economic conflict are settled through orderly processes of international agreement.

"That since the Havana Charter for the ITO serves these purposes it is in the interests of the American people and merits their support.

"That American support for the Charter is essential to the effective continuance of our international leadership."

THE Committee believes that this is what the Charter does:

"The Charter lays down a common code of rules for international trade.

"These rules are based on the principles that trade should be larger and freer; that it should not be frozen into narrow channels between pairs of nations or be distorted by discrimination; that it should move in all directions among the markets of the world.

"The rules restrict the use of import and export quotas, discriminatory internal taxes and regulations, burdensome customs requirements, state trading operations, and the practices of international cartels. They call for negotiations directed toward the reduction of tariffs and the elimination of preferences.

"Exceptions to these rules are necessary to meet the abnormal conditions of the period of reconstruction and to resolve, through compromise, conflicts in national policies. Some of the exceptions are temporary. All of them are surrounded by careful safeguards to prevent abuse.

"The Charter is a realistic, workable means for expanding world trade. By recognizing the difficulties under which most countries are operating, it has gained the adherence of 54 nations at Havana. It thereby represents a marked ad-

vance over the disorder that has handicapped world trade for the past thirty years.

"The Charter sets up an international organization through which nations can cooperate continuously in solving trade problems.

"Members of the ITO will not proceed, without giving notice, to take action that would be harmful to the interests of others.

"They will enter into consultations, seeking agreements that will serve their common interests.

"The ITO, like the F.A.O., the International Bank, and the Monetary Fund, will be a specialized agency of the United Nations. As the agency specifically designed to deal with matters of trade and commerce, it will support the other agencies of the United Nations and add strength to the structure of international economic cooperation."

AND what if we reject the ITO? There is a considerable movement on foot to do just that. Some recommend that we repudiate it outright; others say we should negotiate a more "satisfactory" Charter. Since the latter is impossible from a practical political point of view, these amount to the same thing. Should Congress be moved by this thinking and fail to approve the ITO Charter, we at least ought to have a very clear idea of where we would be heading.

By repudiating the Charter we would be endangering our decisive economic and political leadership. The Charter has become identified as an American project, and its success or failure will be considered as a success or failure for American leadership. For us, having worked, negotiated, argued for years for some basic acceptance of the need for free world trade and for some world trade law, suddenly to turn our backs on it would be even more of a blow than our rejection of the League of Nations after the First War. Those who say—and there are many—that "America doesn't have any policy, they don't know where they're going"—would have an irrefutable argument to back them up. Our friends would be confused and demoralized; our enemies encouraged to take advantage of this renunciation of our international responsibilities.

In this talk today I have confined myself principally to a discussion of our world economic picture, but it will of course be obvious to an audience such as this that economic problems are more and more interrelated with political problems.

The North Atlantic Pact is now being debated at properly long length by the Senate of the U. S. and throughout those discussions we find the overwhelming desire and the constant and recurring objective of peace. I venture the assertion that no single decision of such momentous importance has faced the American people for many generations but, in saying that, I cannot fail to emphasize that the Atlantic Pact is only one of a whole series of decisions which must be made and maintained if any are to be successful.

No man can long be a leader if his policies are vague and vacillating, his decisions uncertain and unclear. Leadership in a democratic world is likely to come as a result of continuing confidence. The world will accept the leadership of the American people only so long as that leadership looks attractive. We cannot blow hot and cold in our relations with the rest of the world and expect to have that world turn to us in the hopeful assurance that continuing leadership must imply. An unhealthy world, with falling standards of living and in the shadow of unhappy economic fear, will make a poor bedfellow in this historic political venture which we now propose to undertake.

SO that, while our political and diplomatic representatives will properly be carrying the burden of the discussion in the purely political field, we in the business world have no less a responsibility, and one which is uniquely our own, in considering these vital matters of world economic interest. It takes time and effort to do that though, for these are not simple yes and no questions to be decided by listening to a speech like this or a brief head-line reading. They are involved, technical and protracted; to have a worth-while opinion about them certainly takes time, and yet we must have those opinions if we are to discharge our responsibilities as leading citizens.

I was hardly surprised but surely troubled to read a recent editorial in EXPORT TRADE, one of the leading magazines in the international trade field which pointed out the results from a questionnaire sent to the members of the Export Managers Club of New York.

These men are experts in the field of world trade and they live by it and yet

"only 30% of our members have read the proposed Charter"

"of the group, two-thirds stated they do not understand it" and finally

"very few feel justified in either supporting or opposing its adoption."

Surely there can be no other answer to such a body of leaders as that one except that they do some home work and be prepared to know what they want.

Our ancestors, who had to decide about a Constitution (and you well remember what a violently controversial question that was), held town meetings everywhere to make up their minds. We, today, are similarly challenged for these are grave decisions that are demanded of us.

We are charting a road in which there are risks and we must not be blind to them. No day was ever more clouded than the present. But, as never before, there is a call to us for the largest wisdom and business statesmanship of which we are capable.

Let us not overlook that great broad tide of change sweeping the world. Let us not fail to see that half of the world's population is a seething turmoil of economic and political emotion out of which anything can come. We cannot stop it and we cannot avoid it. We may, God willing, affect its direction and shape its end. We shall not do that, however, by hiding our heads in the sands of the past or beating our breasts in a fernzy of righteous indignation.

Today we have the initiative. In the words of the prophet, "It is better to light a candle than curse the darkness." Let us light this flame of international economic order, watch and tend it patiently and wisely, praying that it makes such contribution as it may to the better living, and thus the safety, of ourselves and the world.

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